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Report of the Mysore
Resources and Economy

Committee - 1962

Chairman : Ramachandra Rao A.G.

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1962

REPORT

of the

Mysore Resources and Economy Committee

1962

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REPORT

of the

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ADDENDA AND CORRIGENDA.

Page No.	*Line or Para*	*For*	*Read*
3.	2 from top.	Bhola B. Panth	Bhola D. Panth.
5.	Line 22 from top	Annexure I	Annexure 2
8.	Para 1.2, Line 3	The size of the Plan is of Rs. 250 Crores.	The plan is of the Size of Rs. 250 Crores.
10.	Para 1.6, Line 10	principles	principle.
12.	Para 2.3	In lakhs of Rupees.	In Crores of Rupees.
15.	Line 12	projects	projected
33.	3, 4 & 6	£	$
35.	2 from bottom	41.8 lakhs	41.68 lakhs.
37.	Para 2.26, Line 7 from bottom.	already been touched.	hardly been touched.
43.	Line 4 from top.	*Add* the word 'than' between the words 'carried out' and the words 'the matter is'	
44.	Line 9 from bottom	*Add* the word 'among' after the words 'The following are'	
47.	Line 12 from bottom	*Add* the words 'to their salary bills' after the words 'required to attach'.	
48.	Para 3.12, line 3	fields	field.
50.	Para 3.15, line 3.	fact	face
52.	Line 10 from top.	spilled over for	spilled over from
64.	Line 1 from top.	functions	function.
85.	Last line	Omit 'Rs.' before the figure '39.55'.	
88.	Line 22 from bottom	deputise from	deputise for
93.	Para 3.74, line 8.	different category.	different categories.
94.	Line 9 from top	'not less than'	'not higher than'
95.	Line 1 from top.	Nearing	Nearly
98.	Line 19 from bottom	*Add* the word 'trained' between the words 'of' and 'teachers'	
126.	Para 3.94, line 5.	justifiable	justiciable.
129.	Line 25 from top (middle of the page).	proportion.	percentage.
135.	Para 3.103, line 10	'complaints call'	'complaints cell'.

Page No.	*Line or Para*	*For*	*Read*
161.	Line 17 from top	'really in'	'really is'
199.	Line 10.	a rupee	50nP.
290.	Para 4.35, line 13 from bottom.	'requested to dispose of'	'required to dispose of'
292.	Para 4.40, line 3	'States'	'State'.
295.	Para 5.5, line 13	*Add* 'been' after the words 'The State Government has also'.	
298.	Line 14 from top	'of the man'	'for the plan'.
318.	Last line.	*Add* the word 'tax' between the words 'new' and 'effort'.	
337.	Para 5.45, line 13.	'effect of'	'effect on'
343.	Para 5.50, line 11	'basis Excise Duties'.	'basic Excise Duties'.
348.	Line 8 from bottom	'form or'	'former'
362.	Line 17 from top	'Least advantage'	'best advantage'
363.	Line 21 from top	'was'	'is'
363.	Line 22 from top	'private section'	'private sector'.
386.	Para 6.5, line 12 from bottom.	'third'	'fifth'
387.	Line 3	cased	eased
390.	Para 6.11, line 11 from bottom.	'expression'	'expansion'
392.	Line 9 from top	'long agc'	'long ago'
392.	Line 11 from top	'few projects'	'new projects'
393.	Para 6.14, line 11	*Add* the words 'that of' between the words 'dimension of' and 'a single major industry'.	
395.	Line 4 from bottom	'profits'	'proceeds'
397.	Line 3 from bottom	'enormous'	'onerous'
404.	Line 25 from top (middle of the page)	'undermine faiths'	'undermine faith'
588.	Appendix 8, last but one column.	Remove 'Rs' printed below the column and above the figures of population.	

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REPORT OF THE RESOURCES AND ECONOMY COMMITTEE IN MYSORE, 1962

PART I

INTRODUCTORY

1. Genesis of the Committee

The appointment of a Committee for suggesting resources and economies was announced by the Finance Minister on 8th March 1960 in presenting the Budget Estimates of the year 1960-61. The Resources and Economy Committee, under the Chairmanship of Shri A. G. Ramachandra Rao, was constituted by the Government in their Order No. FD 264 BUD 60, dated 7th October 1960. The circumstances leading to the appointment of the Committee are set out in the said Government Order, the relevant paras from which are extracted below :—

"Now that the Second Five Year Plan is nearing completion and the Third Plan of the next five years is scheduled to start from April next, Government consider that the time is opportune to arrange for a general review of the State's finance mainly with a view to enforce all possible economies in the Governmental expenditure and explore additional resources to find the funds required for the successful implementation of the schemes under the Third Five-Year Plan.

Unlike the First Plan, the Second Five-Year Plan stands out as a period of intense developmental efforts in almost all the departments of Government. This naturally led to a considerable addition to the recurring expenditure of the State on Establishment and Debt Services. With the switch-over of the Central assistance received under the Second Plan to the Third Plan Schemes, the recurring commitments of the Second Plan Schemes become the State's responsibility from next year.

It has, therefore, become imperative to find additional resources to meet not only that part of the committed Second Plan expenditure which is now met from the Central grants but also the State's share of outlay under the Third Five-Year Plan. Further, Government have recently appointed a Committee to review the pay structure and other service conditions of the Government employees in the light of the present conditions and the recommendations of the Central and Madras Pay Commission. Though the Committee's Report is not yet ready, its decisions, may, in all probability, lead to a further increase in the recurring expenditure of the State. Ways and means have to be found to meet the additional expenditure also".

2. CONSTITUTION OF THE COMMITTEE

The composition of the Committee, as at first constituted, was as follows:—

(1) Shri A. G. Ramachandra Rao, Chamarajapet, Bangalore City (*Chairman*).

MEMBERS.

(2) Shri B. V. Baliga, M.L.A., Mangalore.
(3) Shri Mohamed Sheriff, M.L.A.
(4) Shri B. G. Deshpande, M.L.C., Belgaum.
(5) Shri Basan Gowda, M.L.A., Lingasagur, Raichur District.
(6) Shri Y. Ramakrishna, M.L.A., Bangalore City.
(7) Shri M. Ramappa, M.L.A., Davangere.
(8) Shri N. Puttarangaswamy, I.A.S., Retired Commissioner for Commercial Taxes, Bangalore City.
(9) Shri B. Venkataraman, I.A. & A.S., Retired Deputy Accountant General, Malleswaram (*Member-Secretary*).

Shri B. Venkataraman could not continue in view of indifferent health and resigned on 27th October 1960. In his place Shri N. Madhava Rao, I.A.S. (Retd.), was appointed Member-Secretary and he took over as such on 2nd November 1960. The Committee felt the need to strengthen itself by the addition of (1) an experienced Engineering Officer, preferably a retired Chief Engineer of the Public Works Department and (2) a specialist in industrial management and productivity and quality control techniques, to ensure expert scrutiny of the technical aspects of execution of large projects, and working of State-owned industries. Accordingly, at the instance of our Chairman, the Government were pleased to appoint

Shri B. S. Narasinga Rao, Retired Chief Engineer, and Shri Bhola B. Panth, Industrial Expert, as additional members of the Committee on 12th January 1961. They joined us on 16th January 1961. Soon after this, Shri B. V. Baliga was elevated to the Cabinet as the Law Minister to Government and he resigned from the Committee. Shri Baliga was a dynamic member, of the Committee and brought his keen insight and wide experience to bear upon its work. By his resignation the Committee lost a distinguished member and we, a valued colleague.

3. TERMS OF REFERENCE

The terms of reference to the Committee are to examine and report:—

(i) the directions in which and the extent to which economy can be enforced in the normal recurring expenditure of the State;

(ii) the new sources of revenue that can be tapped to augment the finances so as to provide funds to the extent required for the Third Five-Year Plan;

(iii) the working of the various existing taxation measures in the State and measures required to improve them from the point of view of (*a*) fiscal adequacy, (*b*) efficiency, and (*c*) convenience to the assessees in the matter of collection of the taxes due to Government.

(iv) to what extent the State's economy has improved by the impact of the Plan Schemes;

(v) present debt position of Government, particularly with reference to the remunerative aspect of the schemes on which the borrowed money has been utilised;

(vi) to what extent and in what respects the present policy of Government in granting loans to Local Bodies and others requires modification and the measures required to ensure timely recovery of such loans; and

(vii) the effects of the democratic decentralisation on the State's finances with particular reference to the steps that are necessary to avoid overspending and expenditure on non-essential items.

In February 1961, the Government, in passing orders on the Report of the Mysore Pay Committee, incidentally referred the following matters to this Committee.

(1) Examination of the suggestion made by the Pay Committee to fix workloads for all categories of posts under Government;

(2) Maintenance of gardens at heavy cost by the Department of Horticulture in the premises of official, residential, or other buildings; and

(3) Creation of an intermediate scale of Rs. 350-800 in the Department of Animal Husbandry and Veterinary Services and earmarking the scale for posts which require higher technical knowledge.

We have treated the above as supplementary terms of reference and dealt with each of them in its appropriate context in the Report.

4. PROCEDURE FOR COMMITTEE WORK

To start with, basic data and views on the expenditure and staffing-patterns in the Government Departments were invited in *pro forma* from the Heads of Departments. A set of twenty tables were prepared and sent to each of the Government Industrial Concerns to be filled up and returned with the particulars required in *pro forma*. At the next stage, the economy and resources aspects of the Committee's work were bifurcated and it was decided that the latter should be dealt with by the Committee as a whole, and that Sub-Committees should be set up for the study of the departmental data in the first instance and formulation of proposals for the consideration of the Committee. Accordingly two Sub-Committees, called the Administrative Sub-Committee and the Projects and Industries Sub-Committee were constituted. Later on with the appointment of two additional members, the Projects and Industries Sub-Committee was split up into two, *viz.*, the Projects Sub-Committee and the Industries Sub-Committee. The Sub-Committees started functioning from 5th January 1961 and met the Heads of Departments personally for discussion and elucidation of the points arising out of the data furnished by them. The Committee finally met the Secretaries to Government and obtained their views with regard to reorganisation of administration and economies in expenditure.

In all 74 meetings of the Committee and 30 meetings of the Sub-Committees, were held. At the end of each meeting a press note of the more important points discussed was issued so as to keep the public informed of the progress of the Committee's work from time to time.

A Questionnaire comprising 70 items was issued on 27th January 1961 for ascertaining the trends of public opinion in the State on the several aspects covered by our terms of reference. The Questionnaire was published for general information in the *Mysore Gazette* and copies sent individually to the Members of Parliament from Mysore, Members of the State Legislature, office bearers of political parties, senior retired officers, prominent persons and all important registered associations and institutions in the State. The Questionnaire was also got translated into Kannada and widely publicised. A request was made that replies to the Questionnaire may be sent on or before 20th February 1961. The time was subsequently extended up to 3rd April 1961. Of 740 persons and institutions to whom copies of Questionnaire were sent individually, replies were received only from 61. Annexure I gives the Questionnaire in *extenso,* and the names of persons and institutions from whom replies were received.

5. TOURS

The Committee undertook tours in the different parts of the State, commencing from 12th May 1961. Major irrigation and power projects, selected Government Institutions including basic schools, co-operative societies, agricultural research and demonstration stations, hospitals, health centres, Community Development Blocks and Training Centre were visited. At each important place visited, prominent citizens and representatives of agriculture, trade and commerce were invited to meet the Committee for personal exchange of views. These were followed by meetings with the respective Divisional Commissioners, Deputy Commissioners and District Development Officers, with whom administrative problems in general, and those relating to plan implementation in particular, were discussed with reference to economy in expenditure and augmentation of resources. We also visited the K.G.F. Gold Mining Undertakings, Government Industrial Concerns at Bangalore as well as the Filatures at T. Narasipur and Kollegal.

At a later stage the Member-Secretary was deputed to meet the Heads of Departments in their own offices for a study of the staff-position in relation to work-load of different categories of Government employees. The Member-Secretary was also deputed on a fact-finding tour to the four neighbouring States, *viz.*, Maharashtra, Andhra Pradesh, Madras and Kerala for discussion with the Secretaries to Government of those States with a view to collecting data relating to their tax-structures and systems of administration.

Our Chairman and Member-Secretary met Shri N. Madhava Rao, Former Dewan of the State and Chairman of the Mysore Finance Enquiry Committee, 1956, and obtained his suggestions and views on the more important matters covered by the Committee's enquiry.

Our Chairman and Member-Secretary were invited to meet the Chairman and Members of the Third Finance Commission at Bangalore on 4th July 1961. The Commission evinced keen interest in the Committee's work. Shri Ashok Chanda, Chairman of the Commission, was so good as to give some very useful information and suggestions, bearing on our work, for which we are grateful to him.

6. INTERIM RECOMMENDATIONS.

At the very outset we suggested to the Government, by way of abundant precaution, that it would be desirable to defer, or keep by for consideration, all proposals and schemes involving additional expenditure or fresh financial commitment, until we had given our report. As we proceeded with our work, our views and opinions were sought by the Government on several matters relating to individual departments, or on specific questions under consideration in the Secretariat. Although we felt that, consistently with the perspectives and integrated approach enjoined on us as a Committee working upon well-defined terms of reference we could not formulate final recommendations, or offer firm views at an intermediate stage of our work, we felt at the same time that the disposal of the questions referred to us should not be held up. We accordingly gave these matters our best consideration and made our recommendations on an interim basis. Our interim recommendations are incorporated in the relevant context in the Report.

7. ACKNOWLEDGMENTS.

We wish to place on record our gratitude to the persons, institutions and associations in the State who took keen interest in the work of the Committee and furnished us with valuable information, advice and suggestions. We must also thank the Heads of Departments and other officers at various levels of administration, who supplied us with notes and information and helped us in various other ways. In particular, we acknowledge the courtesy shown to us by the High Court in furnishing valuable data and views in regard to the Judiciary of the State.

The Chief Secretary and Finance Secretary were very co-operating, and always willing and ready to help us with advice and suggestions. . We are indeed thankful to them. Shri N. S. Bharath, Deputy Secretary, Finance Department has placed us under obligation by keeping in continuous touch with our work and making available to us, under the guidance of the Finance Secretary, relevant information and statistics relating to Budget and Finance. The Forecast of Resources for the Third Plan, and the State Government's Memoranda presented to the Third Finance Commission, which were placed at our disposal, have been of considerable help.

The Committee's staff, though limited, rendered service cheerfully and ungrudgingly. In particular, Shri T. N. S. Murthy, Stenographer, worked round the clock and rendered valuable service. We wish to place on record our appreciation of the excellent work done by him.

CHAPTER I—THE PROBLEM

1.1. Mysore is the first among the States to set up a Resources and Economy Committee in connection with the Third Five-Year Plan. Further, this is the first time that the financial position and problems of the new Mysore State come under review by a high-powered and independent body. Such an objective study and stocktaking of State's finances at periodical intervals is always a help to the administration and a source of enlightenment to the public. But this Committee is charged with the duty not merely of surveying the State finances but more specifically of finding additional resources for the State's Third Plan.

1.2. The main task entrusted to us is to find a sum of Rs. 43 crores to make up the resources required for the State's Third Plan. The size of the plan is of Rs. 250 crores. Of this a sum of Rs. 140 crores is expected to be made available as Central assistance for the plan, and the balance of Rs. 110 crores has to be found by the State out of its internal resources. But as the resources in sight during the plan period amount only to Rs. 67 crores, the balance of Rs. 43 crores has to be raised by additional taxation. In pursuance of this undertaking given by the State Government to the Planning Commission, a tax-effort to the extent of about 2 crores per annum was made during the current year by (1) imposing surcharge up to 30 per cent on land revenue, (2) enhancing the rate of Electricity duty on certain classes of consumers and (3) levying a tax on passengers and goods carried by road. Thus a sum of Rs. 10 crores, out of Rs. 43 crores to be raised by additional taxation, has already been assured during the Plan period, and we have to find ways and means of raising the balance of Rs. 33 crores in the remaining 4 years.

1.3. While the raising of resources of this order seemed to us a big enough task, and we were still considering how this could be accomplished, we were taken completely by surprise by an altogether different kind of picture of State finances presented in the Government's Memorandum to the Third Finance Commission in July 1961. According to the Forecast of Resources for the Third Plan presented earlier to the Planning Commission, it was anticipated that the State revenue budget would contribute Rs. 10 crores for the Plan. But the Memorandum presented to the Finance Commission disclosed that, instead of the anticipated surplus of Rs. 10 crores on revenue account in the Plan period, there was likely to be a deficit of Rs. 73.26 crores. Even this estimated deficit was revised to Rs. 82.88 crores in the second Memorandum presented to the Finance Commission subsequently. This entirely unexpected worsening of the anticipated financial position during the Third Plan period is understood to be due among other things, to the following commitments taken up, and policy decisions adopted, by the Government at the time of framing of the Budget for 1961-62 and in the post-budget period :—

(1) Enforcement of total Prohibition in the State within the Third Plan period, involving loss of revenue of about Rs. 8 crores under State Excise ;

(2) Taking over by Government of the maintenance of 7,500 miles of District Board roads, at a cost of Rs. 125 lakhs ;

(3) Construction and improvement of rural roads, at a cost of Rs. 240 lakhs ;

(4) Increased provision for the maintenance of roads, bridges and Government buildings ;

(5) Commitments in the C.D. and N.E.S. Blocks, amounting to Rs. 524.08 lakhs ;

(6) Commitments in respect of the Universities, amounting to Rs. 121.3 lakhs ;

(7) Reduction in net revenue of about a crore of rupees per annum from the Road Transport Department and the Mysore Iron and Steel Works as a result of their conversion into Corporations ;

(8) Additional provision towards appropriation for reduction or avoidance of debt in respect of public loans to be raised for the Third Plan ; and

(9) Free educational concessions up to Secondary stage to poor students (Rs. 32 lakhs), reimbursement of loss of income to aided schools, inservice training facilities to teachers (Rs. 13 lakhs per annum), increased grant-in-aid to local bodies, etc., (Rs. 35 lakhs per annum), and taking over 14 Colleges from the University (Rs. 25 lakhs).

1.4. There is further the uncertainty regarding the recovery of land revenue arrears, and possibility of unforeseen expenditure, due to distress conditions and flood havoc in different parts of the State. The non-plan commitments referred to in the previous paragraph are also exclusive of certain other items for which no provision has been made either in the Budget or in the forecast prepared by the Finance Department. The first of these items is compensation to be paid for loss of hereditary rights of village officers, amounting to Rs. 3 crores. We understand that according to a recent decision of the Supreme Court the right is not legally compensatable. The second item is compensation to be paid for lands in excess of the ceiling limits fixed under the Land Reforms Act. Though the entire amount of compensation is recoverable, the recovery of occupancy prices will be spread over 25-30 years. The compensation is payable in cash and in bonds, the quantum of cash compensation being reckoned at about Rs. 16 to 20 crores, for which however there is no resource.

1.5. As the expenditure on these non-plan and non-obligatory items is of considerable magnitude, the already inadequate resources for the Third Plan stand further reduced on this account. Since the State Government is committed to the implementation of a Rs. 250 crore plan, it is, in our opinion, imperative that no more financial commitments or responsibilities, outside the Plan, are entered into during the Plan period. We would, therefore, impress upon Government the need for a firm resolve on its part not to take up any more commitments and further to treat every rupee of Government resource, which is available or is to be raised, as earmarked money for the Plan.

1.6. This review of events in the period subsequent to the constitution of our Committee brings out the main problem into clear relief. The problem has two parts. The first part is to raise 43 crores for the Plan, which is a commitment. The second part is to meet the anticipated deficit on revenue account during the Third Plan. The second part of the problem does not concern us, but falls really within the province of the Finance Commission. The Second Finance Commission formulated the salutary principles that States should balance their revenue budgets, and that they should not run into deficits even for meeting development expenditure. In laying down this principle, the Commission devolved sufficient resources to enable the States to balance their budgets. It is now for the Third Finance Commission to help the State Government, by a suitable devolution of funds and grant-in-aid, to cover the revenue deficits.

1.7. By the terms of reference to the Committee, our enquiry is limited to (1) finding Rs. 43 crores as resource for the Plan, and (2) covering incidentally the additional expenditure of Rs. 22 crores in the plan period on account of pay revision. It is but appropriate and indeed inevitable that the increase in recurring expenditure due to pay revision should be covered and offset by economies under salaries and establishment to the extent possible. Our probe into governmental expenditure is accordingly directed to securing maximum economy to cover the additional expenditure due to revision of pay scales. In raising fresh resources for the Plan, however, we put the accent upon maximising the revenue from existing taxes, fresh taxation being considered only to the extent of the shortfall still remaining to be made up. We have approached the problem before us broadly on these lines.

CHAPTER II—STATE PLANS

SECTION 1—RETROSPECT

2.1. Between the years 1951 and 1961 the State operated two Five-Year Plans.

2.2. The First Plan related to erstwhile Mysore State. The Second Plan preceded the State Reorganisation by 7 months and might, if this short interval is ignored, be taken as the First Plan of the new State. In assessing the effect of the Plans on the State's economy, the 'adjusted' targets outlay and performance for the new State have been adopted.

2.3. Between the two Plans the State Government spent a sum of Rs. 181.02 crores. The following statement gives the expenditure targets, outlay incurred, and the percentage of the latter to the former, under the two Plans.

In lakhs of rupees

	Targetted Expenditure	*Actual Outlay*	*Percentage of (2) to (1)*
	(1)	(2)	(3)
First Plan ..	42.14	40.51	96.1
Second Plan ..	145.13	140.51	96.81

The yearwise breakup of the outlay among the several components of the Plans, reflecting broadly the rate of achievement under each of them, is given in the Appendix. The variations in the performance levels are due to (1) the teething troubles, and initial hurdles to be crossed, under the First Plan and (2) administrative dislocations in the first three years of Second Plan due to State Reorganisation. Nevertheless the performance, as compared to the targets set, may be considered, on the whole, to be satisfactory in financial terms. Further certain Centrally-sponsored schemes were also implemented in the State.

2.4. But financial outlay is not an end in itself. For a realistic evaluation of Plan performance, we have to go behind the expenditure figures to concrete achievements in physical terms, and their effect on the standard of life and economic well-being of the people. The physical achievement itself must be broadly viewed against the aims and objectives of the Plans to see how far the latter have been ' fulfilled ' in a real and not merely in a financial sense.

2.5. The State Plan being part of the National Plan, its impact on the State's economy has to be viewed in the larger context of improvements that have taken place under the latter. In a national sense it is considered that the First Plan was not in itself a ' strategy ' for speedy economic development. It was intended rather to serve as a foundation for the further development of agriculture, industries and power under the Second Plan, and to afford a valuable training ground for the preparation of subsequent Plans. The emphasis in the State's First Plan was upon agriculture. The Second Five Year Plan on the other hand airmed at rapid industrialisation, to secure (1) a rise in the standard of living, (2) a more equitable distribution of national wealth and (3) expansion of employment opportunities. The State Reorganisation necessitated the enlargement of the old Mysore State Plan, firstly to include schemes relating to the integrated areas, secondly to give greater attention to under-developed and backward areas in the new State. The size of the Plan was originally Rs. 145.13 crores. It was felt that even this Plan was not big enough to serve the needs and to develop the potentialities of the new State in an adequate measure. But due to the scaling down of the National Plan itself, in the light of foreign exchange and other difficulties, the size of the State Plan had likewise to be reduced, at some stage, to Rs. 136 crores. These difficulties having been surmounted finally, the total expenditure on the Plan touched Rs. 140 crores, whereby the State fulfilled 96.81 per cent of the original Plan.

2.6. It is officially claimed that the working of the National plans has been a success. The findings of the Programme Evaluation Organisation and of various Study Groups set up by the Planning Commission in this behalf are supplemented by periodic studies re: Plan achievements, made and published by the Central Statistical Organisation and the Indian Statistical Institute. The Economic and Planning Division of the Reserve Bank of

India has also made surveys of the working of important Plan schemes, the Community Development Projects, etc., and published its findings for general information.

2.7. There is a vast literature about planning in the country. There is a plathora of statistics and data. But opinion is sharply divided about the value of planning and the extent of progress secured. Divergent views have arisen partly from political convictions, but mainly because of the absence of objective assessment of the performance and achievement under the plans. One view in the country is that there is extravagance, waste and gratuitous mis-spending of public funds by the Government for party and personal ends, that the emergence of the public sector is a national calamity and that Governments should try and do only what the people are unwilling or unable to do. The opposite view is that India being an under-developed country, the task of raising it to the level of an advanced country is a national enterprise; and that if the objectives set out in the National plans appear to be large and too ambitious, they are so, only in relation to the past but not to the present needs or capacity of the nation for achievement. It is considered that even the Third Plan of the size of Rs. 10,000 crores is not sufficiently big and that a bolder Plan is required to achieve the desired rate of economic growth. A middle path is taken by a large number of economists who, while not being opposed to planning as such or doubtful of its efficacy, advise a policy of 'development with stability'. They in effect endorse the views set out in the following paragraphs taken from the Report of the Government of India Economic Survey 59-60.

> "The main aim of economic policy in a country seeking rapid and balanced development is to maximise the resources available for investment without causing excessive stresses and strains in the system. The accepted developmental programmes have to be implemented, taking care at the same time to see that domestic inflationery pressures are hold in check and external payments conform to the resources available."

These divergent view points, have made the question of impact of the Plans on the economy a controversial issue rather than a matter for objective study and scientific evaluation. Such a veteran in public affairs as Shri Santhanam has, in a recent article in the press under the caption 'Making Projects Pay', charged the Government with not having evolved, even after ten years of planning, " a system of precise indices to indicate progress and measure successes or failures ". He goes on to make a series of observations, as follows:—" the people including the members of the Parliament are not in a position to know with any degree of accuracy how far achievements have come up to expectations, to what extent they have fallen short, or whether the causes for either were unavoidable ". " Often targets and achievements in the public sector are spoken of in terms of expenditures projects and actually incurred without any reference to physical results or their cost. Not infrequently do propagandists indulge in the amusing pastime of mixing up expenditure on social services, investment in the public sector and increases of production in the private sector and claim that as everyone of these items has increased considerably, our planning has been successful". Instancing the Bhadra and Tungabhadra Projects as cases in point, Sri Santhanam has analysed the trends in the construction costs due to changes in design during their execution. He has brought out that the cost of the Bhadra Project, begun in 1946 with an estimate of Rs. 11 crores, swelled to over Rs. 37 crores by 1959. In the case of the Tungabhadra Project on which all but Rs. 9 crores out of the estimated expenditure of Rs. 74 crores had been incurred already in 1959-60, the actual achievement in terms of acreage brought under irrigation was only 1.29 lakhs of acres. The anticipation for 1960-61 was that 2.93 lakhs of acres would be irrigated, against the target of 6.2 lakhs of acres by the end of the Second Plan, and 12.12 lakhs of acres up to the completion of the Project. Sri Santhanam surmises that even the Ministers of the Central Cabinet are in the dark about the actual achievements under the projects and schemes in the public sector. He compares planning to a motor car which has many accelerators but no speedometer, fuel-gauge or brakes. Undoubtedly the practice of evaluating performance in terms of expenditure, without linking it to physical achievement, has put a premium upon overspending. But to equate expenditure on the Plan with performance is to confuse the ends with means.

2.8. In the past a history of each major project was maintained for recording its progress and the difficulties encountered in the course of execution. Such a record is, we find, not being maintained now, even for undertakings of such magnitude as the Tungabhadra or the Sharavathi Valley Project. It should, we feel, be enjoined on every public authority concerned to maintain a complete history of the project or industrial undertaking costing over a crore of rupees. An annual statement of performance of such public undertakings should be placed before the Legislature, setting out the salient features of their working and giving a clear picture of achievements, compared to targets and financial costs.

2.9. In normal times when conditions are stable and there is no appreciable variation in prices and costs from year to year, there may be no harm in adopting expenditure on public works as a kind of gauge of progress or yardstick of performance. But to make it the sole test of success of large public undertakings, when prices and all other conditions fluctuate violently even from month to month, and when expenditures are rushed through for the sake of achieving spectacular effect, would be to open the door to wasteful expenditure and make a cult of extravagance. We earnestly suggest the adoption primarily of physical units as the basis of targets, and for judging the performance, under the Plans. Even physical achievement may not be accepted at its face value. It has to be followed up and tested to see whether the expected benefit has been realised. For example, during the Second Plan, 3,661 new primary schools are stated to have been opened in the State. It has to be verified if every one of those schools has the full complement of staff and necessary equipment. Opening new schools, when about 10 per cent of the existing schools are languishing, is not a net gain to the State. Similarly a number of new dispensaries and health centres are stated to have been started under the plans. Their mere number is no measure of benefit to the people when it is well-known that in many of the dispensaries there are no doctors, nurses or midwives. Schools without teachers or sufficient number of pupils, and dispensaries without doctors and nurses, show poor planning. Far too much money is being spent under the plans upon costly structures and buildings and upon showpieces, which are only a facade of progress covering up the lack of proper attention to things that really matter. As said so well by some one, "Quality and wide-spread education is more useful than monumental buildings for schools and colleges." Beautiful hospital buildings and tiled floorings could be given up in preference to more medicines and proper attendance on patients ". The method, or the lack of it, in the implementation of plan schemes had led many to doubt if there is a plan, and to ask if we are not drifting towards a plan or planning towards a drift. Credit is taken in official reports about plan achievement for opening of rural roads, construction of drinking water wells and restoration of minor tanks. Undoubtedly these items are immensely beneficial to the public. But one may enquire how many of the village roads put up at considerable cost are really useful and being used by the villagers or if they have not been washed away already. Large expenditures are incurred on drinking water wells. But there is no attempt to find out in how many of these wells water is available in summer when it is most needed. Restoration of minor tanks is a colossal problem. It is feared, for all that is being talked about it these years, that very little has been done. But considerable amount of money is spent every year and impressive figures regarding restoration of irrigable capacity are published in the official reports. One calculation shows that in spite of the construction of a large number of major and medium irrigation projects, the overall irrigable capacity in the State has been actually reduced (The Mysore Census Report, 1951). The implication of this on the States' agricultural situation is yet to be assessed. The point we wished to make in this connection is that a practicable, economical and effective method of restoring minor tanks has not been evolved so far, and there is still controversy as to whether the method of desilting, or of raising the bund is the better one. A study made in this behalf by a Team of experts from the Planning Commission, who visited the State last year, points to the over-riding advantage of the desilting-cum-reclamation method over the method of raising the bund. The latter method is open to the objection that it would submerge cultivated land and will only put off the evil day when desilting has anyhow to be taken up. Restoration of tanks by raising the bund would only result in temporary benefit. In due course, and perhaps even before the last instalments of contribution have been paid, silting would have set in again and a second cycle of restoration would have to be commenced. Desilting is in our opinion, the final answer to the problem. We urge that the controversy be set at rest and that the most practicable and economical method of restoring the tanks be decided upon finally, so that further wastage of funds and ineffective expenditure in this behalf is avoided.

2.10. While the number of reports by Study groups and Teams on this and several other specific topics have been published, we do not find any attempt at giving a total picture that in a single connected perspective brings out the effect of various plan schemes on the welfare and happiness of the people in the State. What is really required is a high-level 'performance audit' of achievements under the plans, related to costs and results, to be carried out by an independent expert organisation. We suggest this because at present all the three functions, *viz.*, policy-making, execution and evaluation of the plans, are centred in the same agency, *viz.*, the Government, which being both the prosecutor and judge, cannot be expected to take an objective view of its own performance. It is arguable firstly that the policies and programmes of the Government are being influenced by considerations of political expediency or party interests, secondly that on account of the impact of high-pressure politics, the implementation of plans is being conditioned to regional group and personal influences and lastly that the very methods employed for evaluation of the Government programmes give rise to distortions in the execution as well as in the assessment of the same. Not only should the achievements of Government under the plans be really substantial and economical but it must, in a democratic regime appear to be so in the eyes of the people. It is widely recognised that, without the wholehearted public support and cooperation, the plans cannot be worked successfully. It is therefore for the Government to create the climate of favourable public opinion that will evoke public confidence in the soundness of the schemes and programmes taken up, and effectiveness of the policies pursued, by the Government, by having them judged and pronounced upon by an independent, impartial and expert agency to be set up for the purpose. We recommend the constitution of a permanent high-powered Commission in the State, outside the Governmental organisation, for (1) continuous review and objective evaluation of plan performance and the working of public sector undertakings, (2) study of the trends in public expenditure in each Government Department from time to time, and (3) scrutiny of future plans and development programmes of the Government with an eye to the attainment of the desired goals and objects with speed and economy. We propose that this organisation be designated the Economy and Evaluation Commission, which will be reconstituted once in every five years under a person of eminence commanding public confidence, as Chairman, and experts in the fields of finance, engineering administration and industry together with a distinguished economist, as members. The Commission should be supported by adequate administrative, financial and statistical staffs and also have a skeleton field-staff of ' Observers ' posted in each major department of Government and District, whose business will be to make on-the-spot studies and report to the Commission. The findings of such a Commission would, we are sure, be sufficiently authoritative and disinterested to be readily accepted by the people and confidently acted upon by the Government.

SECTION 2—IMPACT ON THE ECONOMY OF THE STATE.

2.11. Admittedly the First Plan was in the nature of a preliminary canter. The first two Plans taken together are regarded as having " helped to strengthen the foundations of the economic and social life and stimulated industrial and economic growth and scientific and technological advance." The Third Plan came into operation from 1st April 1961. We understand that perspective plans, spread over a period of 15 years from the conclusion of the Third Plan, are now under formulation with the object at the end of the period to make the country's economy self-sustaining and self-generating.

2.12. At the time of the appointment of this Committee, in October 1960, the State's Second Plan had still five months to go. The Plan closed officially on 1st April 1961. But there was a ' spill over ' of several continuing schemes and projects from the 2nd into 3rd Plan. It is rather too soon, therefore, to assess the effect of the 2nd Plan upon the economy of the State. However, the First as well as the Second Plans could be considered together as a single phenomenon. Their (1) direct and immediate effect in raising the level of productivity and incomes, and (2) indirect and long-range effect in creating new potentials for further improvement, may be judged broadly by a reference to selected economic indicators.

2.13. The more important of the economic indicators are national income, index of wholesale prices, cost of living index and indices of agricultural and industrial production. The following table gives the estimated position for the country as a whole. under each of these items, as in 1950-51 and in 1960-61 as worked out and indicated by the Planning Commission (*vide* Appendix A—Third Five Year Plan).

	1950-51	1960-61
National Income (at 1960-61 prices) ..	10,240 crores	14,500 crores
Index of wholesale prices (base 1952-53=100) ..	....	127.5
Cost of Living-Index (base 1949-50=100) ..	101	124
Index of agricultural production (base 1949-50=100) ..	95.6	135
Index of foodgrains production (base 1949-50=100) ..	90.5	131.6
Index of Industrial production (base 1950-51=100) ..	100.0	194.3

2.14. We have also to consider the impact of the Plans broadly upon the levels of productivity, consumption, savings, investment and employment in the State.

2.15. In recent years national income has been widely used to gauge the performance of a country's economic system. Annual national income statistics are being prepared by the Central Statistical Organisation, Government of India since 1948-49. Non-availability of comparable statistical data in a full and complete form for all the integrated areas of the new Mysore State, relating to the period prior to reorganisation of the State, had stood in the way of estimates of the State income being worked out. However, on the basis of the available data, the State Statistical Department has recently prepared provisional estimates of the State income, and *per capita* income in Mysore, over the years 1951-52 and 1960-61. The following table gives in juxtaposition the national and State income. and the all-India and Mysore

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per capita income, as they stood in 1950-51, and in 1960-61, respectively.

In crores of rupees

	(1) 1950-51	(2) 1960-61	*Percentage of* (2) : (1)	*Annual (average) percentage*
National Income	8,850	12,530	41.6	4.2
State Income ..	440	602	35.5	3.5
All-India per capita Income ..	247.5	288.8	16.7	1.7
Mysore State per capita Income ..	225.8	256	12.6	1.3

It may be noted that the average annual rise of the National income in the U.K. and U.S.A. is 9.1 per cent and 7.4 per cent respectively.

2.16. The rate of growth of the national economy has over the period of the two Plans been a little more than four per cent, while that of the State economy is three and half per cent. The per capita income in the State also continues to be lower than the all-India average by more than four per cent. Clearly the two Plans have not succeeded in accelerating the rate of growth of the State economy to come up to the All-India level. National income increased under the First Plan by 18.4 per cent, or an annual rate of 3.7 per cent. In the same period per capita income in India, which was Rs. 247.5 in 1950-51, moved up to Rs. 267.8 in 1955-56, *i.e.,* by 8.2 per cent, or an annual rate of 1.6 per cent. This, even for a preliminary Plan, is low. The Second Plan, however, envisaged a rise of national income by 25 per cent and of *per capita* income by 18 per cent. Against this the actual increases were 19.6 and 7.6 per cent respectively. On a comparison of the performance of the national economy during the First and Second Plans, it will be noticed that while the rise in national income in the Second Plan was higher than in the First Plan by only half a per cent, the rate of increase in the *per capita* income actually declined during the Second Plan by .5 per cent. Undoubtedly even the moderate economic growth achieved during the period of the two Plans was retarded by the off-setting effect of population increase of 21.36 per cent in the period from 1951 to 1961. This also accounts for the lower rate of *per capita* income in the State *vis-a-vis* the increase in national income.

2.17. In a country like India with a mixed economy, the effect of the Plans has to be judged with reference to the achievements in the public as well as the private sectors. One of the early results of planned development was the emergence of the public sector with its wide and increasing coverage of irrigation, power and industrial projects, and large public undertakings comprised under the terms economic and social over-heads. There has been a controversy regarding the performance of the public sector in the last five years. One view is that the yoking of a mixed economy with socialistic society will not yield a working team. We do not wish to enter into this controversy. It is enough for our purpose to indicate the relative shares of the Government and private sectors in the net domestic product, as worked out by the Central Statistical Organisation for the period from 1948-49 to 1957-58.

	1948-49	1950-51	1952-53	1954 55	1955-56	1956 57	1957-58
Net output of Government enterprises ..	2.8	3.0	3.1	3.8	4.2	4.2	4.5
Net output administration ..	4.6	4.5	4.7	5.4	5.7	5.4	5.8
Net output of Private Sector ..	92.6	92.5	92.2	90.3	90.1	90.4	89.7

Though the public sector has progressively increased in size, its contribution to the total domestic output is still around 10 per cent only, and nearly 90 per cent of the national output arises even now in the private sector, the great part of which is not organised.

2.18. No data is available to show either the distribution of personal income by size among the families or individuals comprising the population, or the distribution of the national or State income according to function. A study of distribution of National income by 'Industrial origin' has been made by the State Statistical Organisation, indicating how the State income originates, and how the relative position of persons, attached to several sectors or groups which contribute to the income, has changed. The Statement obtained from the Statistical Department in this behalf, with its interpretation of the data, is reproduced below :—

Sl. No.	*Sector*	*Income (Rs. in crores)*				*Percentage in increase*
		1951-52	*Percent*	1960-61	*Percent*	
1	Agriculture, etc.	199.73	43.8	250.66	41.6	25.5
2	Forestry ..	4.05	0.9	4.05	0.7	..
3	Fishery ..	2.81	0.7	3.23	0.5	15.0
4	Mining ..	6.51	1.4	5.25	0.9	—19.4
5	Factory Establishment ..	14.54	3.2	40.30	6.7	177.2
6	Small enterprises	53.99	11.8	64.62	10.7	19.7
7	Organised, Banking and Insurance ..	4.18	0.9	5.29	0.9	26.6
8	Other Commerce and Transport	72.79	16.0	84.34	14.0	15.6
9	Professional and Liberal Arts	24.33	5.3	27.62	4.6	13.5
10	Government Services ..	50.57	11.1	92.99	15.5	83.9
11	House Property	22.75	5.0	23.67	3.9	4.0
	Total ..	456.45	100.00	602.02	100.0	331.9

The estimated percentages of the State income originating in the major categories from 1951-52 to 1960-61 show that agriculture, animal husbandry and ancillary activities account for more than 40 per cent of total income. The share of manufacturing (Factory establishments and small enterprises), which was estimated to be 15 per cent of total income in 1951-52, increased to 17.4 per cent in 1960-61. The share of "Other commerce and Transport" declined to 14 per cent in 1960-61 from 16 per cent in 1951-52. The proportion of income attributable to Government Services jumped from 11.1 per cent in 1951-52 to 15.5 per cent in 1960-61. The increase in State income is registered in all sectors of the economy except mining. Out of the actual increase of Rs. 145.57 crores in income during the period of 9 years, Rs. 50.93 crores, or as much as 35 per cent, is the share of agriculture, animal husbandry and ancillary activities. Next in terms of absolute value come Government Services (including Government enterprises of the State, Communications and Railways), the income from which has increased by Rs. 42.42 crores. Manufacturing (Factory establishments and small enterprises) accounts for Rs. 36.39 crores, or 25 per cent of the increase. "Other Commerce and Transport" claims Rs. 11.35 crores or 7.8 per cent of the total increase. In terms of percentages, the most spectacular rate of increase is registered by Factory establishments whose income has during the period of 9 years increased by 177.4 per cent. In respect of income from Government Services (including communications, Railways and the Government enterprises), the increase was 83.9 per cent. The income in the agricultural sector increased by 25.5 per cent. In the case of minerals the income in 1960-61 decreased by 19.4 per cent, as compared to the income in 1951-52. So far as the relative shares of different sectors is concerned, ths share of agriculture in the total income declined from 43 .8 per cent in 1951-52 to 41.6 per cent in 1960-61 at constant prices. The share of factory establishments registered an increase from 3.2 per cent to 6.7 per cent. The share of small enterprises and other commerce and transport recorded decreases from 11.8 and 16.0 per cent to 10.7 and 14.0 per cent respectively. Since income estimates constitute quite a good measure of the composition of State income, the trends in its growth and origination indicate broadly that the two Plans have caused an impressive rise in the level of money income of all groups, except mining, of the order of Rs. 162 crores at the end of the Second Plan. Mining is an important and developing source of income in Mysore State. Decline in production of gold, inspite of the net increase in production of Iron and Maganese, is responsible for the decrease in the contribution of this item to the State income. But the effect of increases in income has been largely neutralised by the rate of population growth on the one hand, and growing inflationary pressures in the State economy on the other. Thus, in terms of real income, the increase in *per capita* income due to the Plans would appear to be quite moderate. Moreover, *per capita* income in Mysore has not only been below the all-India average by Rs. 22 over the past 10 years but its annual rate of 1.3 per cent has been outstripped by the rate of population increase of 2.1 per cent. The State, by and large, continues to be relatively backward, *vis-a-vis* the rest of the country, and is predominantly agricultural, with the dependance of 71 per cent of its population on agriculture, whose share in the State income is dwindling and has declined from about 50 per cent at the commencement of the First Plan to 41.6 per cent at the end of the Second Plan. However, the decline in the share of agriculture in the net output from 43.8 per cent to 41.6 per cent which is the effect of the emphasis in the Second Plan upon industrialisation, indicates a shift in the occupational pattern in the State away from agriculture and in the direction of organised manufacture, professions and services.

2.19. No studies have been made regarding the redistribution of the additional income generated by the Plans among the several classes of people in the country. This aspect of the impact of the Plans on the national economy has given rise to much concern to the planners and the question is where all the crores of rupees of extra income generated by the Plans have gone. The apprehension is that the industrial and intense economic development under the Plans has tended to widen the gap between rural and urban incomes which would give rise to fresh problems of income disparities and uneven distribution of economic power. It has also become necessary to locate and identify the areas within the country's economy in which additional taxable capacity has arisen. The Planning Commission constituted an Expert Committee in October 1960 to review the changes in the levels of living, recent trends in the distribution of incomes and the extent of concentration of wealth and means of production, as a result of the Plans. The findings of the Committee are, however, awaited. The current economic opinion on the subject is that redistributive effect of public expenditure in India will be perceptible only with a higher ratio of revenues and expenditures to the national income than has been attained so far. We had, in the absence of reliable data, to fall back upon the opinion of the representatives of the people in the State whom we met in our tours. The emphasis upon industrialisation in the Second Plan has to some extent reoriented the State's economy in the direction of urbanisation. To the disparities in income between the rural and urban sectors of the economy are added those between different classes of people within the urban section itself, due to steep rise of land and property values and speculation in real estate. The emergence of the slum problem in the cities is another off-shoot of uncontrolled urban growth. A study of these and other consequences of industrialisation by the UNESCO has brought out the unsavoury aspects of urbanisation and the resulting fresh problems connected with transport, public health, water supply and control of traffic, in the industrial cities. These trends have given a new importance and a sense of urgency to the problems of city and municipal administration. since 23 per cent of the State's population reside in the 288 towns and 5 cities of the new State. One surprising feature to which attention may be drawn is the reluctance of Corporations and Municipal Councils to increase their income by the levy of extra taxes in return for amenities provided by them. It is well known that an urbanised State is faced with more responsibilities per unit of population, and a higher rate of expenditure for the same amount of administrative work. The low level of taxation and resources of City Corporations and Municipalities must further raise the financial burden to the State for maintaining a reasonable level of civic amenities of town and City life. Within the urban sector, industrial labour seems to have secured, through organised demands and labour awards, better living and working conditions and progressive increases in income, proportionate to rise in price levels. The income of the technical workers at the top and of skilled workers in industries has increased in a more substantial measure, but their proportion to the total labour force is, however, negligible. Government employees have been benefited substantially by the grant of higher dearness allowances and salary increases. The minimum income of a State Government employee, after the recent pay revision, is more than Rs. 800 p.a., which is about three times the *per capita* income in the State. With the fixation of a minimum pay-scale in the State, the disparity between the lowest and the highest paid Government employee now stands reduced to 1 : 30. The largest share of additional income has presumably gone into the hands of industrialists, traders, businessmen and owners of urban properties and lands. The result of a recent study of the incidence of Plan benefits in India seems to show that, against an increase of Rs. 1,300 crores in urban income between 1953-54 and 1960-61, the increase in the rural income in the same period was of the order of Rs. 1,830 crores. In the rural sector the money incomes of larger farmers and producers of plantation, commercial and irrigated crops have risen in a higher proportion than those of other classes of cultivators. Agricultural labour has secured a theoretical living wage under the Minimum Wages Act, but its economic position continues to be precarious, what with the seasonal nature of work and the rise in the cost of living. Plantation labour seems to have fared best, with not only an assured level of minimum wages, but also a guaranteed standard of living and working conditions under the Labour laws. There are reasons to think that the incomes of people following the professions and of self-employed artisans and those engaged in essential services. have gone up more than in proportion to the rise in prices. But people with fixed money income, and the 'Middle' class, have been hardest hit by inflation.

2.20. Although money incomes have increased for all sections of people in the State, it would appear that the increased money power has gone mostly into consumption and that savings are retarded. No survey of the changes in the patterns or levels of consumption in the State have been made. Some data has however been collected through the Government of India National Sample Survey. But there is no State-wise break-up of the figures collected up to the year 1952, and the available figures relate only to the erstwhile Mysore State and to the rural area. Assuming that patterns of consumption are fairly uniform over large areas, it will be seen that food accounts for 61.6 per cent of the total consumer expenditure, which is an indication that the standard of life in the State continues to remain at a subsistence level. In regard to clothing, however, the percentage of expenditure is seen to have increased from 5.4 per cent in 1951 to 10 per cent in 1954, *i.e.*, a doubling of the expenditure. This may be interpreted as an index of improved level of living but no generalisation is permissible, as there is no information regarding different income groups and expenditure levels in the country. According to another calculation, the level of consumption in India has risen by 4 per cent, and that the domestic price level at the end of the Second Plan was 20 per cent higher than 5 years previously. The year to year progress in the size of the State Sales Tax revenue is an index of the rise in the level of consumption. Since foodgrains have been exempted from sales tax in the State, the higher sales tax revenue is an index of increased consumption of articles not essential to life. Statistically a shift of emphasis from articles essential to life to non-essential articles is a sign of rising standards of life. Prof. B. R. Shenoy has, in an analysis of the current economic situation in the country, come to the conclusion that consumption has increased and saving slowed down. It is also necessary to refer to the effect on consumption of the rate of population growth in the decade 1951 to 1961. Malthus's Law is operating with the population growing faster than the means of livelihood. At the same time there are indications of 'conspicuous' and wasteful consumption in the upper income brackets, as the increased receipts under Sales Tax on luxury articles, and those under Entertainment and Betting taxes, seem to indicate. The increased incomes of the new rich are stated to have gone into consumption, the potential savings of the masses accruing to them via the income-transfers having been diverted mainly into luxury and semi-luxury expenditures. One general indication of rise in 'conspicuous consumption' is the lavish scale of expenditure indulged in during marriage-parties and receptions that have become all too common. The use of automobiles, radios, cycles, watches, cameras and similar other articles is an indisputable sign of a change in the consumption pattern at even low income-group levels in the urban areas. The observed larger expenditures on travel recreation and amusement, as also upon speculation in immovable properties, are pointers to the diversion of a substantial part of the additional income from investments in productive and industrial channels into consumption and into less essential urban properties and gold hoards. A considerable part of the surplus income in the urban areas appears to have been invested in over-valued house properties and sites, or locked up inflated inventories, such as food-grain hoards and stocks of imported goods, etc.

2.21. It is well known that savings in a country determine the level of public expenditure. Though national income in India has risen, as we have seen, the rising tempo of personal consumption is absorbing a good part of the increased income. Since development is in the ultimate analysis dependent upon national savings, it has to be contrived that consumption does not rise above a certain level so that the increased purchasing power is diverted from consumption into savings. The total consumption being planned to rise by 4 per cent a year in the Third Plan, increased taxation will be needed to prevent it from rising faster. Continuous rise in prices is an outstanding feature in the years following the Plans, which is a manifestation of the inflationary pressures that have developed within the national economy. The index of wholesale prices shows that the general price level in the country has risen by at least 25 per cent since the commencement of the second plan. Between the years 1955 and 1960, the prices of foodgrains are estimated to have risen by 42 per cent. In September 1960, wholesale prices were nearly five times the level in 1939, and the price rise is stated to have reached an average rate of 6.4 per cent in the past five years. Inflation is the single important factor that has disturbed the entire economy in India and has had a direct effect not only on consumption, savings and investment but also on the distribution of the national product. It has been calculated that from 1955-56 to 1959-60, money supply rose by 41 per cent and outstripped national production, with the result that prices rose by 32 per cent. The rise of inflation in the country is attributed primarily to budget deficits and next to the secondary expansion of credit by commercial banks. Admittedly the deficit financing component of the second plan outlay was higher than could be contained by the economy of the country. There is, however, the view that deficit financing to this extent was necessary for the size of investment called for in the second plan, and that it has, therefore, to be regarded as the price which the country had to pay for accelerating the pace of economic development which would otherwise have not been possible. But in the opinion of Prof. Shenoy, inflation retarded economic development and social progress and that achievements under both might have been bigger, had there been no inflation. The same authority has, in discussing the effect of inflation on the rate of savings and investment in the country, found that while it gave a fillip to consumption, it reduced the size of savings. He goes on to observe that from 1950-51 to 1953-54, when the economy was free from inflation, savings rose by .5 per cent of income per year to 6.6 per cent and that it fell to .1 per cent during 1957-58, when inflation intervened. He finds further that inflation, coupled with partial controls, has given rise to wide income disparities, part of which is due to income transfers resulting from rising prices. No regular estimates of savings and investment in the State have been made. Tentative estimates of savings and savings-income ratio, framed for the Indian economy as a whole, may be taken to hold good for the State also. According to these estimates, the aggregate saving during the first plan was

6.6 per cent of the national income and that during the second plan was 7.9 per cent. For the two Plans the aggregate saving is estimated to be 7.1 per cent. Applying the same income-saving ratio to Mysore, the volume of saving in the State would have increased from Rs. 30.13 crores in 1951-52 to Rs. 47.56 crores in 1960-61, or an increase in 9 years of 57.8 per cent, as detailed below:—

In crores of rupees

Year		*State Income*	*Saving*
1951-1952	..	456.45	30.13
1956-1957	..	517.76	40.90
1957-1958	..	543.30	42.92
1958-1959	..	566.92	44.78
1960-1961	..	602.02	47.56

There are no statistics regarding the aggregate reproducible capital in the State. Investment is taken as the sum of the estimated savings *plus* the estimated capital inflow, but in the case of Mysore there is no information as to the amount of outside capital invested in the State. For statistical purposes, therefore, the estimated savings themselves are taken as investment in the State. Since economic growth is a matter of expansion of investment, great importance is attached to raising the saving income ratio from 8 per cent, as it stood at the end of the Second Plan, to 11 per cent by the end of the Third Plan; the further 3 per cent needed to raise the level of investment in the economy to 14 per cent by the end of the Third Plan being covered by external aid. Even an investment of Rs. 10,200 crores in the Third Plan will mean an increase of only 5 per cent per annum in the national income against 4 per cent per annum achieved under the Second Plan. An investment of this order is stated to be required to break the vicious circle of poverty and population. The preliminary survey by the National Council of Applied Economic Research, recently completed, shows that private investment has increased since 1950-51 together with public investment and that gross capital formation in the private sector has increased even faster. The finding of the Council is that notwithstanding the additional burden of personal taxation and psychological factors influencing willingness to save and invest, there has been no serious decline in investible funds. In the estimate of the Council, the rate of saving is as much as

10 per cent of national income, and that the marginal rate of saving is about 20 per cent. Dr. Lokanathan's view is that if a 25 to 30 per cent level of marginal savings is reached, India should become a self-sustaining economy in course of time. The United National Economic Survey for 1960 underlines, in the case of underdeveloped countries, the need for encouraging private saving and reducing non-essential expenditure with consequent increase in public saving.

2.22. In regard to employment opportunities in the State, the latest figures for the quarter ending March 1961 show that there were 1,99,621 applicants on the Live Register. Against this the vacancies notified, and placements effected, in the quarter were 6,514 and 4,453, respectively. At the national level, it is calculated that the employment potential of the Third Plan investment of Rs. 10,200 crores is of the order of 10.5 million jobs outside agriculture, against the anticipated 15 million new entrants in the Plan period. This leaves 3.5 million persons to be absorbed by agriculture. The whole problem of employment potential, and indeed of the best use of India's human and material resources, has been competently studied and analysed in an article entitled " Strategy of Indian Development " by Mr. I. M. D. Little Fellow of Nuffield College, Oxford. Mr. Little's burden is that in view of shortage of capital and foreign exchange difficulties, India should make full use of her own resources, which means above all adequate use of India's abundant man-power. Since less than 3½ million persons are employed in India's organised industry, Mr. Little feels that it is in agricultural investment that the possibility exists of greater use of India's man-power. But the crux of a more labour-intensive plan is the immediate supply of consumer goods, primarily food, which means intensification of agricultural efforts and upward revision of India's agricultural targets. A stepping up of employment on land improvement necessarily implies a greater taxation effort in the first few years to counter the rising demand for food and restraint upon consumption. The difficulties of raising taxes and of restraining consumption apart, Mr. Little pleads for a larger and more labour-intensive plan which logically involves a sufficiently high rate of foreign aid to India for her industrial and other development by the countries of Europe and America. Even without this, it is in our view necessary, in order to provide employment opportunities for a rapidly growing population, that whatever is produced outside specialised industries must, as far as possible, be produced by labour-intensive methods. Since the employment potential of organised industry is limited and construction, excepting, in large projects, is already labour-intensive, it is primarliy in agricultural investment that the maximum scope exists for the increased use of India's surplus man-power. In the course of our visit to major irrigation and power projects in the State we had occasion to observe the relatively negligible proportion of local labour to imported labour employed on these projects. Evidently the employment opportunities offered by these large construction works in the State are not being availed of by the people in the State.

2.23. In a painstaking analysis of the Indian economic problems Prof. P. T. Bauer, of the London School of Economics, has pointed out that the natural and rational sequence of economic growth in dominantly agricultural economies is first development of agriculture, next light industries and third heavy industries. His opinion is that as the returns from heavy industries are lower than those from agriculture, to take up heavy industries first is to put a brake on the rise of incomes and therefore on savings, capital formation and economic development. Prof. Bauer is, therefore, of the view that the overwhelming proportion of resources devoted to heavy industries in the Second Plan, at the expense of agriculture, has held back the emergence of the 'agricultural surplus' without which there can be no sustained improvement in the general living standards and lasting economic development, including industrialisation. American supporters of India's planning, like Professors Gailbraith, Rostov and Millikan, hold that India is less socialistic than the U.S.A., as the ratio of taxation to national income is low in India and the public sector is relatively small. Prof. Gailbraith, in clarifying his characterisation of the Indian economic policy as "post-office socialism", made it clear that what he meant was that public enterprises should be run to maximise profits in a developing country like India, these profits being ploughed back into further development for the good of the people. The dilemma of planned development in India seems to arise from the fact that, since the size of Indian capital goods industry is small, industrial development will necessarily mean increased imports, while the possibilities of expanding exports are limited. The import statistics of 1958-59 show that India spent £ 195 million on consumer goods imports, of which £ 140 million were spent on food, but that £ 85 million worth food-stuffs out of the latter, were received free under the U.S. Public Law 480. The remainder of consumer goods imported included £ 15 million worth of drugs, and there is thus not much scope for reducing imports further. *Per contra*, the prospects of increasing the exports to any significant extent are not very bright since 74 per cent of exports is made up of tea, coffee, jute, and other agricultural products and manufacturers contribute only 14 per cent. The world market for the primary products which India can export is either static or can only be developed slowly. Larger imports of machinery and other requirements under the Third Plan will become necessary on the other hand. The choice before the country in the Third Plan period will, therefore, be to export on a big scale, or to manufacture import-substitutes. It must be remembered that imports were 10.5 per cent and exports 25 per ment of India's national income in 1957-58, and that it would be difficult, in the case of a country of India's size, to bring about any substantial expansion of exports. The policy of import substitution appears, therefore, to have greater chances of being worked out successfully. But the main difficulty, as pointed out by Mr. Little, is that capital labour and imports being all unrealistically priced, the price-mechanism in India tends towards too great a capital intensity, too little use of labour, and too high a rate of imports. While devaluation would increase the rupee price of imports, it would reduce foreign exchange earnings. These and other aspects have given rise to differences of opinion as to the most advantageous, and in the long run rational, approach to planning in India. We have referred to the views and assessments by friendly foreign observers to show how our plans, and the behaviour of the country's economy under them, must appear to other countries which are willing to help us with advice and financial aid. It is, however, agreed on all hands that the broad strategy of India's planned development is sound.

2.24. Speaking about the national gains achieved during the First and Second Plan periods, the Union Finance Minister stated in his recent Budget Speech that a 33 per cent increase in agricultural production and 66 per cent in industrial output, had been achieved. But the indices of agricultural and industrial production show that the rate of increase was 27.2 and 51.9 per cent only. The average annual percentage of increase in the decade 1951-61 is stated to be 2.43 per cent in regard to foodgrains, and .39 per cent with regard to cloth. In the assessment of one economic observer, there has been little or no progress in India in terms of economic well-being of the masses and of real welfare, since a mere increase in the output of physical goods, regardless of their contribution to the satisfaction of the people's wants, does not make for economic progress. The increase in the national income, of 42 per cent in the last decade of planning, is stated to be a deceptive indicator of progress, since it includes the output of heavy industries, addition to inventories, creation of idle production capacities, and increased output of luxuries and semi-luxuries for the benefit of the well-to-do, all of which do not enter into the consumption of the masses. It has been summed up that, since planning started in India, the availability of food, already below the subsistence level, has fluctuated downward and that the availability of cloth has steadily declined.

2.25. The acid test of planning, so far as Mysore is concerned, is to what extent the plans have succeeded in overcoming the food problem. The State's First Five-Year Plan was in reality an enlargement of the 12 Grow More Food Schemes taken up previously under a three-year programme. An expenditure target of Rs. 192.47 lakhs for agricultural production, and of Rs. 14.52 lakhs for minor irrigation, under the First Plan was nearly fulfilled, with an outlay of Rs. 152.82 lakhs and Rs. 14.89 lakhs, respectively. It is claimed that as a result, the target of 97,000 tons of foodgrains production was surpassed by over two times and that 2.15 lakhs of tons of foodgrains were produced. In the Second Plan, a provision of Rs. 698.88 lakhs, inclusive of Rs. 170 lakhs under Minor Irrigation, was made and a sum of Rs. 758.18 lakhs was actually spent on schemes of agricultural production. The achievements in physical terms are estimated as follows:—

In lakhs of tons.

		Production at the beginning of the Second Plan	*Second Plan target of additional production*	*Production at the end of Second Plan*
Foodgrains	..	33.50	5.00	38.50
Oil Seeds	..	5.42	1.97	7.00
Sugarcane	..	28.97	7.43	41.25
Cotton	..	3.63 bales	3.07 bales	5.00 bales

Despite the production of 7.15 lakhs additional tons of foodgrains under the two plans, the State is far from having reached the stage of self-sufficiency and is still a net importer of foodgrains to the extent of 4 lakhs tons, the deficiency being mainly in rice. A more ambitious target of 10 lakhs of tons has been fixed under the Third Plan to raise the total food production to 48.5 lakhs of tons for attaining self-sufficiency in regard to food requirements. These estimates, both as to targets and achievements, are based on assumptions of a largely statistical nature. It is also not possible to say how much of the estimated increase in the agricultural output is the result of high prices or the 'gift' of monsoons. In Mysore, where three-fourths of the State is dependent upon the monsoons, it makes all the difference to agricultural production whether the rainfall in a year is seasonal and adequate or not. Mysore has as low a percentage as 7.4 of irrigated to net sown area. The yields of the cereals in the State are also below the national average. The food problem in the State is not a simple question of making up the deficiency between production and nutritional requirements at a particular stage but one of (1) catching up with the food requirements of a population with a rate of growth of more than two per cent a year, and (2) meeting the demands under a continuously rising nutritional standard. In the light of these trends, the performance under the two Plans can hardly be regarded as anything satisfactory. Continuous rise in the prices of cereals, pulses and other food articles is an indication of the widening gap between demand and supply which has still to be covered up. The achievement of the target of 10 lakhs additional tons of foodgrains in the Third Plan is dependant upon (1) the creation as well as full utilisation of irrigational potentials in the State, and (2) spread of intensive cultivation through the use of Japanese method, etc. In mechanising agriculture, the dangers of (1) arable lands being converted into dust-bowls and deserts by over cultivation, and (2) first-class irrigated lands becoming marshy due to over-irrigation, have to be guarded against. If past performance in regard to the execution of irrigational projects and restoration of minor tanks under the two plans is any guide, it would seem that more realistic planning targets and a determination to achieve them, are necessary, if irrigated area is to be increased to 41.8 lakhs of acres at the end of Third Plan. On a review of the progress of 36 irrigation projects (major and medium), taken up during the First Plan, we find that seven projects costing more than a crore of rupees and 12 costing less than a crore, "spilled over" into the Second Plan. Of the 33 projects, including the spill-over projects taken up in the Second Plan period, three were dropped and the remaining 30 are under execution. The total outlay on irrigation projects in the First and Second Plans was Rs. 1,537.37 lakhs and Rs. 2,754.19 lakhs respectively, and the total irrigable extent under the several projects included in the two plans was 14.60 lakhs acres. The irrigation potential created at the end of the First Plan was 1.26 lakhs acres, against which the area actually irrigated was about 50,000 acres. At the end of the Second Plan the total irrigation potential created was 6.34 lakhs acres, against which the area developed for irrigation was 3.2 lakhs acres. It is expected when all the irrigation schemes taken up in the First and Second Plans are completed, that the total irrigation in the State will increase from 17 lakhs acres to 31.60 lakhs acres. When the irrigation schemes in the Third Plan are also completed, the total irrigation in the State is expected to rise to 41.68 lakhs acres. Including the expenditure on (1) minor irrigation, both on plan and non-plan schemes, of Rs. 415.37 lakhs under the First Plan and Rs. 673.21 lakhs under the Second Plan and (2) 7,499 irrigation wells sunk, the net position as on 31st March 1961, was an increase in the irrigated area in the State from 17 lakhs acres to 21.3 lakhs acres. Even so, the percentage of the total irrigated extent is only 12½ per cent of the net sown area of 28 million acres in the State, which is just half the all-India average of 24 per cent, and much lower than the corresponding percentages of 38.3 per cent, 25.2 per cent and 18.33 per cent in the neighbouring States of Madras, Andhra and Kerala respectively. In view of the importance which we attach to irrigation, we discussed the progress of implementation of the irrigation component of the State's Plans, with the Chief Engineer, Irrigation Projects. It is seen that major and medium irrigation schemes commenced as long ago as 15 years are, but for a few, still incomplete. While major projects costing crores of rupees will naturally take some considerable time to be completed, there is, in our opinion, no excuse for the delay of over 10 years in the execution of projects costing a crore of rupees or less. Our brief review of the progress of typical projects discloses that with some care and planning most of these projects could well have been completed within the plan periods to which they related but that their execution was taken up in a haphazard fashion. The inordinate delay of over 10 years in the completion of these projects has not only resulted in a substantial increase of construction costs with idle overheads but also postponed the development of irrigation in the State. Thus a large number of projects ' spilled over ' from the First into the Second and from the Second into the Third Plan with more than a doubling of the estimated expenditure but with no increased benefit to the State or revenue to Government. More than delayed completion or irrigation projects, the time-lag between the completion of projects and the development of irrigation under them is responsible for loss of revenue to the State. Among specific causes for delays in execution of projects is frequent change in designs and plans. It is imperative that projects authorities not only see to the execution of works according to realistic time schedules, but also attend to the equally important financial aspects of the projects.

2.26. We may view the impact of the Plans in a human context and assess the achievements, and their effect in terms of satisfaction of people's wants and burdens borne by them, to make the country economically strong. Since food, clothing and shelter are the primary requisites of life, continued food shortage, decline in cloth production and lack of housing facilities in the country are the measure of deficiencies and shortcomings in the plans which are still to be made up. Not only is food production in India in general and in Mysore in particular inadequate, but nutritional standards are also low. Cloth production has of late registered a decline and there was a set back in agricultural production, including food grains, in the State during the years 1958-59 and 1959-60 as compared to the years 1957-58. The cost of living index is progressively on the increase. The housing problem in the cities and towns has become acute, as evidenced by the slums and soaring rents ; and the question of rural housing has already been touched. It may be noted that for a total population of 235 lakhs (1961 Census first figures), the total number of occupied houses in the State is 33,57,043. The net achievements of the Second Plan under Housing is the construction of 2,000 and 3,540 houses under Industrial Housing and Low Income Group Housing Schemes in urban areas, and of only 600 houses in the rural area. In respect of these basic necessities of life, therefore, the Plans cannot be said to have brought about a significant improvement. It is admitted that there was an overdose of deficit financing in the Second Plan. The Plans with their increasing tempo of direct and indirect taxes have necessitated a restraint on consumption by the people which is a real sacrifice. One calculation regarding the extent of such restraint on consumption implicit in the Third Plan places it at the sum of Rs. 3,600 crores. ' It is a moot point whether the desired improvement in the standards of life could not be achieved in a simpler, more direct and less painful fashion. Though there has been a rise in the levels of national income productivity and investment as a result of the Plans, and some spectacular achievements that have attracted world-wide interest and attention, yet inflation, whose current phase began in 1955-56, has undeniably eroded into the incomes and savings of the people, so that much of what was given by the Plans with one hand has been taken away by the other. Though there has been much discussion about holding the price line, no concrete action has been taken to enforce monetary discipline and to bring the monetary policies into line with fiscal policies. The construction of large irrigational power and industrial projects in a period of rising costs has unnecessarily inflated the value of capital assets built up during the Plans, affecting both their proper maintenance and future economies. There are no built-in safe-guards in the Plans to prevent the wastage of country's resources or avoidable overspending of public funds. The accent upon speed has resulted in disregard of considerations of economy and even of sound construction. Extensive damage caused by floods to some of the irrigation projects in the country should serve as a warning against the tendency to sacrifice stability and safety for speed by rushing through large projects and public works. Our view of the progress of State projects shows that inspite of planning, execution has proceeded largely in an unplanned way, for want of a preparatory phase in which possible difficulties in implementation are foreseen and met in advance. Again, lack of provision for maintenance of projects and public works constructed under the Plans has resulted in the rapid deterioration of assets built up at considerable labour and cost. It is important that development should be achieved but far more important that what has been developed is properly cared for. Moreover development is in itself a strenuous and wholetime occupation and development staffs are often not the best or most suitable agencies to attend to maintenance work. It is for this reason that where intensive development is called for, as in the case of layouts for new townships of extensions, a separate agency like a Trust Board is set up and the areas laid out by them are handed over to the regular municipalities or Corporations for maintenance. Development effected has to be consolidated and not allowed to be lost. The proper balancing of cost against benefits, sacrifices against satisfactions and development against consolidation, is dependent upon a sufficiently large perspective in planning which can emerge only through changes in the present mode of articulation of the Plans and of their time-spans. Ideally a national or State Plan should in the democratic context be the people's plan. But the First National Plan was more or less a Government Plan. The Second Plan was conceived as a people's plan but was in effect an assemblage of local, regional and State Plans with the Central Government Schemes thrown in, all of which were held together by certain broad national targets and objectives expressed in abstract terms. In formulating the Third Plan, a *via-media* was adopted in fixing a national plan frame into which State Plans were later fitted up and adjusted. The central problem of articulation of a national plan in a democratic set-up of Government is to keep up due balance between the purely local and regional interests and viewpoints on the one hand and the truly national objectives and aims on the other. Without emphasis on the local aspects, the Plan ceases to be a real People's plan, but with overemphasis, it ceases to be national. With democratic decentralisation, a new technique of planning will perhaps be required to satisfy the needs and aspirations of all localities and regions, while not losing sight of national perspectives.

2.27. The questions which we posed in the beginning are whether (1) the expected benefits under the two plans have accrued and (2) the expenditure incurred on the Plan schemes has been commensurate with the results achieved. Our answer to these questions is a qualified affirmative. While some benefits are bound to be reaped when such large sums are spent, some part of the expenditure at least has proved to be wasteful and ineffective. Such improvement in the standard of life and economic well-being of the people as has been achieved under the Plans is only of limited extent, but there is no doubt that the State economy has been strengthened by the creation of economic and social overheads and of irrigation power and industrial potentials, the full benefit of which can be realised only after a lapse of time and with fuller utilisation of additional productive capacity.

CHAPTER III—ECONOMIES

SECTION 1—GENERAL

3.1. Economy in State expenditure is a theme that recurs whenever expenditure continually outruns resources. Prior to Independence, such a position arose only occasionally in the wake of events like the economic depression of the thirtees or the World Wars. It has since then become chronic. Whereas formerly the State had no resources other than its own to fall back upon and had to cut its coat according to the cloth, Central assistance has now become available and is being increasingly availed of to supplement the State's resources.

3.2. Madras, Andhra Pradesh, Rajasthan and the Punjab were among the Indian States to constitute Economy Committees, since 1946. Maharashtra is currently considering a cut in expenditure on Government establishment by 5 per cent and on T.A. and contingencies by 10 per cent. A probe into Central Government's civil expenditure also was strongly urged in the Lok Sabha last year. The move was withdrawn on the assurance given by the Government spokesman that no attempts would be spared to keep civil expenditure down to the minimum.

3.3. In Mysore, economies were recommended, prior to State reorganisation, by the Economy Officer appointed in 1948, and on the eve of the formation of the new State, by the Mysore Finance Enquiry (Madhava Rau) Committee 1956. After reorganisation, Shri A. D. Gorwala in his report on the Mysore administration suggested the reduction of several items of expenditure and avoidance of certain wasteful types of spending by Government. The Pay Structure Committee, 1955, and the Mysore Pay Committee, 1961, also proposed certain measures of economy in government expenditure. It is understood that the report of the Mysore Finance Enquiry Committee was shelved on the ground that it related to erstwhile Mysore State. In regard to the rest, we find that either no action was taken or where action was taken, it was ineffectual. It is possible that if timely and effective action had been taken on the several reports under reference, considerable savings could have been effected. We propose to continue the work done by the previous Committees, and to go beyond it, to keep pace with the rapidly changing patterns and tempo of State expenditure.

3.4. We received a few strongly-worded letters, at the inception of our work, questioning the usefulness of a Committee like ours when the State Government after constituting it, went on to expand the Cabinet and to take up financial commitments in disregard of financial considerations. It was also pointed out that if only there was the will to economise, there were hundreds of ways in which substantial economy could be secured straightaway without appointing one more Economy Committee. We cannot agree in the view that Economy Committees are useless merely because the Government that constituted it expanded its Cabinet. The Government of a State is a running concern and cannot be expected to remain in a state of suspended animation, until a committee appointed by it completed its work. Nevertheless we must agree in the criticism to the extent that the Government after constituting an Economy Committee, should take its own intention seriously and refrain from doing anything that would neutralise in advance the effect of economy measures to be recommended by the Committee. There will, of course, be matters of emergency which cannot brook delay, where action has to be taken without waiting for the Committee Report. But it should, in such a case be possible for the Government to consult the Committee and obtain its advice on *ad interim* basis. We also feel that the report of any important or high-power committee appointed by Government should, as soon as it is received, be referred to a responsible officer or to a study group with a view to the recommendations being properly worked up and decisions taken thereon being implemented without delay. Otherwise the appointment of committees must result in gratuitous waste of public money and of the valuable time and energies of its members.

3.5. Economy in expenditure is too often regarded by the officers of Government as a matter of 'disposal' of matters ordered by the Government on the report of Economy Committees. The reports of such committees would have lost their sting by the time they are published. They become stale by the time action is taken on them. If some action is taken at last, there is no follow-up to ascertain the effectiveness of action taken or to assess the actual saving effected. No sooner a particular retrenchment or saving is carried out, the matter is treated as 'closed', but experience shows that in most cases a saving effected is sooner or later negated by more than a corresponding increase of expenditure. In the past, economy usually connoted and was equated with retrenchment of staff or reduction in their emoluments. But these piecemeal and 'itemised' economies were of temporary duration and often resulted only in the dislocation of work. It often happens paradoxically, that, a larger expenditure is the best means of securing greater economy in the long run. Though the Government is organised on a departmental basis, and the departments of Government were functioning in water-tight compartments in the past, it has of late become necessary to co-ordinate the working of Departments in related spheres and activities. In the present development context, mulcting one Department or activity of Government has an effect upon related departments or activities and sometimes upon the functioning of the Government machinery as a whole also. We have, therefore, to view State expenditure as a totality, whose distribution among the several departments and activities of Government should be such as to yield the greatest amount of benefit for the money spent. Economy in this view is a matter not so much of reducing expenditure absolutely, as of regulating it between the different uses for getting the optimum results. Since three-fourths of the State expenditure is now upon development, the State budget is to be looked upon as the balance sheet of the State's progress, and expenditure as an investment for developing the State's natural and human resources. Economy in expenditure has, in this broader context, to be based upon rational principles and carried out in an integrated manner, if reduction in public expenditure is not to affect adversly either over-all administrative efficiency or development of the State. More precisely, economy should bring to light areas of Governmental activity, where owing to organisational short-comings, procedural defects or wrong alignment of functions and powers, wasteful, ineffective and unproductive expenditure is taking place, which should be prevented.

3.6. Disregard of the precautions and safe-guards to be observed in incurring expenditure out of public funds, as laid down in the State's Financial and Accounts Codes, is a contributory cause of wasteful, ineffective and unproductive expenditure. The first canon of financial propriety that every person, spending Government money, should exercise the same care and forethought as any prudent person would exercise in spending his own money, seems of late to be honoured more in the breach than in observance. The prevailing mode of judging performance in the development field in terms of expenditure has bred in the officers of Government some degree of inattention to, and carelessness of, the prudential considerations that should normally be observed by them. In the anxiety to reach the 'targets' set under the Plan, officers are hustled, and they in their turn hustle their subordinates. The result is that large projects and development programmes are rushed through and the rush itself occasions wasteful expenditure. The State plans are so worked that maximum outlay is being incurred not only towards the end of the Plan but also towards the fag end of the official year. The financial checks against what is called 'March rush' of expenditure, particularly in the Public Works Department, have been entirely ineffective. The State's Financial and Accounts Codes are as comprehensive as may be desired. The Governmental organisation itself, with its checks and counterchecks, is designed to act as a brake upon extravagance. Every spending authority is accountable for every pie of public funds spent by him. However, the principle of accountability is more frequently invoked for rhetorical effect than for bringing a person, who is guilty of a breach of it, to book. The Public Accounts Committee of the State Legislature has, in its reports brought to light serious irregularities noticed in successive Audit and Appropriation Reports. The following are of the more typical of these irregularities :—

(1) Excesses over voted grants and charged appropriations.

(2) Large savings in voted grants.

(3) Failure to furnish detailed accounts for sums drawn on A. C. bills.

(4) Drawal of funds much in advance of requirements.

(5) Infructuous expenditures.

(6) Taking up works without sanction.

(7) Unprofitable outlay on public works.

(8) Misappropriation of Government moneys.

(9) Relaxation of rules, in a few instances, in favour of particular individuals.

(10) Irregular write off of losses.

3.7. Despite repeated observations in Audit and the *anim-adversion* and strictures in the reports of Public Accounts Committees, there has been no abatement of the irregularities in Government transactions. This is a positive proof, if proof is needed, of the scant regard paid to the State's financial regulations and accounting procedures by its officers. Inspite of checks and counter-checks the tendency for skylarking with public funds is still in evidence. Non-reconciliation of departmental accounts with those of audit over long periods is yet another cause for concern, since this may be a screen for avoiding the detection of large scale misappropriations and other financial misdemeanours. Repeated financial irregularities and undue delay in the settlement of claims against Government are acting as a clog on the administration. Larger accounts and audit staff is needed to watch the clearance of audit objections. It would appear that the Heads of Departments, who are primarily responsible for the proper maintenance of accounts for the expenditure incurred by them, are either too busy and overworked to pay any attention or they have become completely insensitive to this aspect of their work. We reproduce below the concluding para of the latest Report of the Public Accounts Committee of the State Legislature on the accounts of 1958-59 :—

> "The Committee wish to emphasise that a sense of consciousness of the responsibility for proper spending and accountal of money should pervade the minds of Departmental Heads at all times and travel down to the lowest officials responsible for estimating, spending and accounting. As a result of reviewing the financial irregularities, losses, etc., pointed out by the Comptroller and Auditor-General it was noticed that there was always an effort made to explain the reasons why action could not or was not taken rather than to locate the defects and punish the defaulters. The irregularities are on the increase and more and more defects are creeping into the system. The Committee strongly recommend that the departments should ensure that the action against all delinquents is taken promptly and the Finance Department should see that the other Departments have in fact initiated necessary action in each and every case in time and devised remedial measures against any defects that may have come to notice in the course of such investigation.

"The Administrative Department should not content itself merely passing strictures against the officers concerned, but efforts should be made to take some positive timely action against them for the wastes in public funds caused through their wilful action or contributory negligence. In cases where action should have been taken against the delinquent officers but was not taken in time, the officers responsible for omitting and delaying to take action and treating the matter in a light-hearted manner should be suitably punished. The Committee feel that officials found guilty of misappropriating public funds wilfully, spending them extravagantly or wasting them through their negligence deserve no mercy. In order, therefore, to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts, are dealt with promptly and severely."

3.8. We are of the opinion that the unsatisfactory position in regard to the departmental accounts is largely due to lack of experience and inattention to account rules.

3.9. Up till now, economy in expenditure has been regarded as a spasmodic activity to be taken up as and when Government passes orders upon the recommendations of an Economy Committee or Economy Officer. Economies so affected are neither permanent nor effective, since they are invariably followed by more than a corresponding increase in expenditure at a subsequent stage. The magnitude of expenditure incurred, under the State's development plan, makes these periodical and half-hearted economy measures of little or no use. It demands rather, that economy be made an integral part of administration and continuing activity, concurrent with incurring expenditure itself. The expenditure of crores of rupees, by the State in the Development departments and on specific activities, necessitates a close watch over it and a continuous search for economy. We feel that, if real economy in Government expenditure is to be secured, there should be month-to-month review of expenditure in each Department, and a concurrent probe into the working of the several projects and schemes of Government, by the Heads of the respective Departments, in the first instance. It should be their prime responsibility to maintain a close watch and control over the expenditure and to secure every possible economy therein from time to time. It should not be left to a Committee to be appointed by the Government, to point out where and how public funds are being misspent. The Head of a Department should, if he is to justify his position as such, have a complete knowledge of what is happening in his department and where things are going wrong. The duty of regulating the Departmental expenditure is already cast on the Head of the Department. Our proposal is that it should be effectively discharged if the 'financial health' of the departments is to be maintained. The Heads of Departments should be made to assume full responsibility for their position, and be held accountable not only for moneys spent by them but also for money over-spent or mis-spent in their departments. Unfortunately, however, the heads of the major spending departments are technical officers, who have little time to spare for the accounts and financial sides of departmental work. In view of this and as a general principle, it is not right to saddle the heads of technical departments with non-technical work. We propose, therefore, that all Heads of major expenditure Departments, be given necessary support of competent financial and accounts staff to enable them to discharge their responsibilities effectively. There are already Accounts Officers in almost all those Departments. They should be designated as Financial Advisers to the respective Heads of Departments and charged, as part of their regular duty, with the responsibility for keeping up continuous search for economy in the departmental expenditure. We suggest further that the annual budget provision under each detailed head be broken down to monthly schedules against which actuals of expenditure should be watched. With a month-to-month regulation of departmental expenditure on the lines suggested, wasteful and ineffective expenditure could be promptly located and economy made possible along with better budgetting. To avoid this important duty being reduced to a mere routine, it is suggested that the departmental Heads be required to attach a certificate for having carried out the monthly scrutiny of departmental expenditure and effected reconciliation of accounts with those of audit. In addition, observations regarding the effectiveness of financial control exercised, and economy effected by the Head of a Department must be recorded in their confidential reports. We repeat that economy in Government expenditure depends in the long run upon the effectiveness of scrutiny of Departmental expenditure and the degree of personal attention devoted thereto by the Heads of Departments. Such continuous scrutiny of departmental expenditure is of basic importance and should be carried out, in addition to the high-level review by the Economy and Evaluation Commission, the constitution of which has been recommended by us. To the extent that the former work is done well, the latter would not only be facilitated but gain in effectiveness.

3.10. Reference may also be made here to the psychological effect of Central assistance upon economy in State expenditure. When the State had to rely entirely on its own resources, as in pre-Independence days, the administration was put on its mettle and had, perforce, to be economical in its dealings. The need to husband available resources was always a prime consideration in the Government transactions, and this set the pace of public expenditure. But when Central assistance became available, getting the maximum aid from the Centre became more important than spending economically what was got. The system of matching grants, with emphasis upon the size of the amount spent rather than upon how it is spent, has made extravagant spending itself a means of obtaining a bigger grant from the Centre.

3.11. The form in which Central assistance is being afforded to the States is also a cause of uneconomical expenditure. In a sense State Governments find themselves helpless, since pre-determined expenditure and staffing-patterns of all-India schemes like the C.D. and N.E.S. have to be accepted by the States without any choice. The same is the case with Centrally-sponsored schemes where the States have to accept them *in toto*. Economy in expenditure cannot be hoped for unless the authority to incur expenditure has complete dominion over the funds and full discretion in spending the same.

3.12. As an Economy Committee we have to suggest reduction in staff and expenditure covering the whole fields of State administration. The simultaneous implementation of these measures might conceivably add to the difficulties of administration and retard the progress of the Plan. The Government would be embarrassed in carrying out staff reductions all at the same time. But to delay the implementation of economy measures would be to defeat the very object of constituting an Economy Committee. The dilemma has to be faced. We suggest that a special machinery be set up in the Secretariat under the supervision of the Chief Secretary, or the Finance Secretary for a quick study of this Report and speedy implementation of the economy measures recommended, according to a phased programme, with least amount of administrative dislocation and hardship of service personnel. In fact reductions in staff may be so phased at to correspond to the phasing of the Third Plan and so carried out as largely to meet the requirements of personnel for Plan schemes, so that the retrenchment would, instead of affecting the Plan adversely, benefit it doubly by releasing both resources and personnel for its implementation. But it would be necessary to ban fresh recruitment for all categories of staff temporarily. Other steps to be taken for absorbing permanent hands who will become surplus are as follows :—

(1) Local Candidates and temporary hands be given notices of discharge.

(2) Officials on deputation be reverted to parent Departments and Offices.

(3) Vacancies due to retirement be kept unfilled.

Nothing, however, should be done that might affect prejudicially the existing emoluments and service benefits of the permanent Government employees. Economy by retrenchment of staff cannot but be a gradual process the effect of which will be complete only after a decade but which must, for that very reason, be commenced forthwith and be carried out in a phased manner.

An inter-department Committee, with the Chief Secretary or Finance Secretary as Chairman, would be needed to give effect to the approved programme of absorption of surplus staff.

SECTION 2—BASIC CONSIDERATIONS.

3.13. We are required by the terms of reference to indicate the directions in which, and the extent to which, economy can be enforced in the normal recurring expenditure of the State. Normal recurring expenditure connotes expenditure on revenue account and covers the recurring expenditure in the development and non-development departments, but not the Plan expenditure. As Plan expenditure falls outside our purview, we have refrained from probing into it.

3.14. The reason for excluding Plan expenditure from the scope of our enquiry presumably is to avoid any reduction in its size and of the assumed Central assistance therefor. But economy in Plan expenditure does not necessarily imply reduction in the size of the Plan. The savings that may be effected under particular Plan schemes or items would be available to make up the shortfall in resources for other schemes and items and would obviate 'spill over' into the next Plan, without the size of the Plan itself being cut down. Economy may thus help Plan performance and speed it up, rather than reduce its size.

3.15. A preliminary point to be considered is whether a reduction in expenditure in the context of putting through a 250 crore plan is not on the fact of it illogical, self-defeating and futile. This would be a valid point to make if every pie of expenditure on schemes included in the Plan were really necessary, beneficial and productive. Some part of such expenditure may be at least, ineffective, wasteful or unproductive and it will be the aim of economy to locate such kinds of expenditure and to put a stop to them. To the extent that avoidable expenditure in the plan is eliminated, the progress of the really worthwhile and useful part of it will be helped and speeded up.

3.16. If we speak about economy in Plan expenditure, it is because we believe that the Plan has an effect indirectly upon the recurring expenditure of the State. We take the view that economy in Plan expenditure is possible, since there is bound to be some scope for economy while spending as much as 250 crores in five years. We are supported in this by the following observation of the Taxation Enquiry Commission:

> "During a period of intensive development effort when targets in terms of expenditure also assume a degree of significance, there is likely to be even within the development sector, some room for economy and avoidance of waste".

While the Plan gives only the broad allocations under its components, we understand that the estimates of outlay on which they are based have not been prepared

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with any great care or subjected to a rigorous scrutiny. The degree of error incidental to planning large scale expenditure five years ahead under rapidly changing conditions would be sufficiently high to invalidate several of the assumptions on which such rough and ready estimates are based. The lack of a clear cut scheme of priorities, determining the precise order in which plan schemes are to be taken up and put through in each department, and as between one department and another, is, in our opinion, an unsatisfactory feature which may lead to unplanned expenditure. There is no perspective planning, and there are admittedly overlapping schemes and duplication of expenditure and staff in some of the schemes, particularly those relating to Agricultural research. Similarly there is likely to be ineffective expenditure in such plan schemes as Social Education, and infructuous expenditure under Public Works. Another contributory cause of inflated cost is the provision for staff, equipments, contingencies, etc. for every scheme in the Plan separately. The phasing of the Plan itself may be a cause of over-spending without commensurate results and benefits. The Third Plan has been phased as follows:—

Year	*Estimated expenditure* Rupees in crores
1961-62	36.5
1962-63	62.4
1963-64	50.5
1964-65	49.0
1965-66	52.0

56 per cent Central loan, and 54 per cent Central grant assistance have been assumed out of the total outlay each year as above. In view of dependence on Central assistance for more than 50 per cent of Plan outlay, timely provision of proportionate funds by the Central Government for each year's programme becomes the *sine qua non* of the due fulfilment of the Plan. We do not know if any firm assurance by the Central Government in this behalf has been secured. We doubt if the targetted outlay of Rs. 62.4 crores in 1962-63, which is practically double that in 1961-62, is practicable and within the administrative and technical competence of the State Development departments to undertake, in addition to normal commitments. We feel, moreover, that the programme should

have been drawn up in terms of physical targets to which the outlay in each year should have been related. A programme drawn up and phased purely in terms of expenditure may prove unrealistic and lead to unregulated expenditure also. The phasing does not also give any clue to the order of priorities of particular schemes and programmes to be taken up from year to year. In our view highest priority should be given to incomplete schemes, particularly Power and Irrigation Projects which have spilled over for the Second Plan, so as to bring them to completion quickly. Among the schemes to be taken up afresh, those involving less expenditure but likely to yield quicker or larger returns should take precedence over others. In regard to the rest, schemes which would be finished within the Plan period are to be preferred. Those which will take a longer time to be completed, and are relatively less urgent should be postponed. In regard to industrial expenditure first priority should be accorded to schemes that will secure fuller utilisation of idle capacities. Construction accounts for nearly 50 per cent of Plan expenditure, and it is highly important to minimise the cost thereon. The Planning Commission has advised the State Governments to constitute a special committee to consider and suggest the ways of reducing cost of construction. Madras State has already appointed such a Committee. We suggest the immediate setting up of an inter-departmental Committee in the State for securing economy in construction costs. To ensure timely and adequate provision of funds for Plan schemes, we suggest that a special unit be constituted in the Finance Department with the object of (1) speeding up financial sanctions and (2) making the required funds available in time for priority schemes. With a view to maintain an even flow of expenditure on the Plan without rushing through them, the Heads of Departments should be required to have the annual Plan provisions broken down into monthly schedules and to adhere to them as far as possible. These are our general recommendations for securing economy in Plan expenditure.

3.17. The revenue expenditure of the State has practically doubled itself in the last five years. In the course of our tour in the State we were made aware of the public feeling that there is a considerable amount of avoidable expenditure in Government Departments and a good deal of over-spending and spending upon ornamental functions and on items of a luxurious nature at different levels of administration and more especially at the top levels. The Estimates Committee of the Lok Sabha in its 92nd report published last year was highly critical of the growth of civil non-plan expenditure in the Central Government and put forth a strong plea for effective control over and minimisation of (1) non-plan development expenditure, (2) tax collection charges, (3) expenditure on civil administration and (4) administrative expenditure under Civil Works and Miscellaneous. We may now review the trends in State expenditure in the light of these observations.

3.18. Increase in recurring expenditure of the State in the last five years is the result mainly of (1) the broadening and deepening of Government functions and activities incidental to a welfare administration and (2) the secondary duties and responsibilities arising under a democratic form of Government, responsive to popular will, and functioning under a written Constitution. In so far as the increase in expenditure is the result of the political set-up in the country and of the State's constitutional obligations, it is unavoidable. But considerable amount of expenditure incurred is neither inevitable nor unavoidable. We have already referred in Chapter One to several commitments outside the Plan taken up by the Government. In the past four years since the State Reorganisation, the expenditure on administration has risen steeply as a result of (1) creation of new departments and expansion of existing ones, and (2) recruitment of a higher proportion of staff at all levels of administration to cope with increased work. Although development expenditure represents 75 per cent of the total revenue expenditure of the State, development expenditure outside the Plan is nearly double the Plan expenditure. Increase of non-plan development expenditure is mostly in the Social Service departments like Education, Medical, Public Health and Agriculture. One of the causes of this is the annual increases of pay in the incremental scales of all categories of Government employees. But undoubtedly there is wasteful and ineffective expenditure, even in the development departments, which can be reduced without detriment to efficiency of administration or public benefit. As observed by the Mysore Finance Enquiry Committee, 1956, the scope for reduction in expenditure is smaller in non-developments than in development departments.

3.19. In regard to expenditure on administration, we may recall the observation of the Indian Finance Commission, 1952, that Mysore of the several Indian States had the lowest expenditure on administration relatively to resources. Non-development expenditure constitutes 27 per cent of the State's total revenue expenditure but it has been rising at the rate of Rs. 2 crores a year since the State Reorganisation. The bulk of the increase is due to the revision of salaries and the grant of liberal service benefits to the Government employees in the new State and the rate of annual increase due to incremental scales of pay is assumed as 3 per cent. The total expenditure on salaries and establishment in the State was Rs. 16.96 crores (actuals) in 1958-59 and now stands, after the second pay revision, at Rs. 23.69 crores. This works out to 32.3 per cent of the net revenue, and 30.4 per cent of net expenditure, of the State. The impression that the cost of establishment is low as compared to other States is not therefore correct. The new pay scales in Mysore are now practically on a par with those in Madras. The additional expenditure, so far as salary revision is concerned, was inevitable in view of increased cost of living and the need to bring the pay scales in the State into parity with those in the neighbouring States.

3.20. Restraint upon non-development expenditure is very necessary for maximising resources for development. But some increase in non-development expenditure is a concomitant of development itself, since the protective and regulatory functions of Government required to sustain the collective life of the community have also to be expanded in some proportion to the development achieved. Rapid industrialisation and intense economic activity by themselves create the need for the increased protection in the form of additional police and give rise to more work in law courts and in the administrative offices. Thus expenditure on non-development but essential services also tends to rise with industrial growth and economic development. The pace of urbanisation in the State has been accelerated in the years following the plans. As observed already, an urbanised State has to incur proportionately higher expenditure for a given administrative function. The higher living costs, which accompany an intensive development phase, give rise to a demand for high salaries and wages all round and put up the cost of materials. This indirectly increases the Government's non-development expenditure. In a sense the development and non-development activities of Government are inter-related and cannot be viewed in isolation.

3.21. A reference may be made to the cost of collection of taxes in the State. It ranges from 3 to 10 per cent of revenue realised. The collection charges of the Central Taxes, *viz.*, Income tax, Excise Duties and Customs, as a percentage of Central revenue collected, is 2.38 to 2.78 per cent, while the cost of collection of comparable State taxes, *viz.*, Sales Tax and Motor Vehicles Tax is about 3 per cent. Land Taxes, including water-rate, account for high cost of collection, since the revenue from the latter has remained static while the cost of district administration, and scale of remuneration to village collecting agencies, have gone up. It is to be hoped that with revision of land assessment and levy of higher water-rates, the collection charges in the State will be reduced.

3.22. Expenditure, both development and non-development in the State, has been rising from year to year. The very magnitude of the expenditure calls for a strict watch over it and the exercise of utmost restraint upon its growth. The Indian Finance Commission, 1952, laid special emphasis upon the practice of strictest economy in State expenditure. Even with ·increase expenditure on State administration there has been no abatement of the public complaint of delay in Government work. At a time when speed in the execution of the States development schemes is of no small consequence, delay results in considerable idle overheads and negates the benefits of well-considered schemes. Ultimately a badly-functioning and overloaded administration is uneconomical and wasteful of resources. In our view, however, the administrative set-up in the State is basically sound. But the deficiencies and defects in its working, due to over centralisation of functions and powers at the top, and continuance of archaic procedures and formalised methods of work followed in Government Offices, have to be rectified. The question is really one of streamlining the entire administrative machinery and simplifying official work and procedures. The primary aim, as set out by Planning Commission, is to ensure a high standard of integrity, efficiency and speed in administration. The deficiencies in the present performance are due to the enlarged size and increased complexity of the Governmental structure with the diffusion of responsibility over a wide area. The remedy is of course, a reform of the State administration for bringing about closer co-ordination of its component parts, and a clearer location of responsibility in each sphere of activity and at each level of administration. Administrative reform involves necessarily and in that order the following steps, *viz.*, (1) territorial and administrative reorganisation, (2) simplification, rationalisation and modernisation of official procedure and systems of work, and (3) a wide measure of decentralisation of powers to lower administrative levels. We shall now deal with these matters broadly—

Territorial Reorganisation

3.23. The new Mysore State with an area of 74,522 square miles, and a population of 2.35 crores, is territorially divided into four Divisions, 19 Districts and 171 taluks. The size of districts and taluks are relatively smaller than in the neighbouring States and also vary from one region of the State to the other. The smallest districts in area as well as population are Coorg, Bidar, Hassan, Mandya and Chikmagalur. Bangalore District is the heaviest administrative charge, and has the highest population of all the districts in the State. Among the taluks, Sringeri and Yelandur are the smallest.

3.24. The administrative Divisions are of recent creation, having been brought into existence after the State Reorganisation. Some Districts and Taluks have been constituted as such for historical rather than administrative reasons. Bangalore District was bifurcated in 1947, but became a single District again in 1950-51. Neither the jurisdiction nor the work of the several administrative charges is equal and uniform and there are many territorial maladjustments which require rectification. The administrative map of Mysore has therefore to be redrawn on a rational basis with due regard to geographical contiguity, trade and cultural affinities, facilities for communication and public convenience. A rationalisation of administrative jurisdiction in the State is a reform long overdue but is likely to give rise to opposition by vested interests. Such opposition should be met and overcome by the Government and the reorganisation brought into effect in the larger interests of administrative efficiency and economy in expenditure.

3.25. As the accent in administration is at present upon development, it has been suggested that States should be reorganised into development regions from the point of view of planned use of resources. The Research and Training School, Calcutta, has made a case-study of the existing Divisions and Districts in Mysore. In its report published in April 1960 under the caption "Planning Regions in Mysore", the Study Group has recommended raising the existing number of 4 Divisions and 19 Districts to 6 and 21 respectively to serve as viable planning sub-regions and units. In our view, administrative divisions in the State should serve both development and non-development purposes equally. The State just cannot afford the luxury of a separate administrative set-up for development alone. Shri Gorwala suggested that the present 19 districts in the State may be comfortably reduced to 16 and that 3 Divisions would be sufficient. With rapid development of communication and transport facilities in the State, and decentralisation of development functions, smaller administrative jurisdiction and charges are no longer necessary. Our considered view is that it is preferable to have fewer and more efficiently-administered Districts and Talukas of slightly larger size than larger number of under-staffed and poorly-managed Districts and Talukas of similar size. It is also necessary to equalise the work of administrative charges in the State. Taking all aspects into consideration, we recommend the reorganisation of Districts and Talukas as follows:—

(1) The area of a taluk may be 750 square miles generally, with an average population of 2 lakhs.

(2) A District may comprise 8 such Talukas, keeping in view regional and other factors. The optimum size of a future District may be 5,000 square miles with a population of a million and half on the average. On the basis of this, the existing 171 Talukas may be conveniently reduced to 120 and 19 Districts to 15. We recommend the immediate abolition of the Sringeri and Yelandur Talukas and also of the sub-taluks of the old Mysore area which were later upgraded as Talukas.

3.26. Administrative difficulties may arise in merging and regrouping smaller Districts and Talukas. We do not suggest the abolition of any particular District or specific merger pattern. But a recombination and readjustment of jurisdictions on a rational basis, which would cause least amount of administrative difficulty or public inconveniences, has to be considered and adopted. We, however, recommend the bifurcation of the existing Bangalore District into a City and a Rural District. Bangalore has always been the heaviest administrative charge in the State. With the abnormal growth of the city in the recent years and increase in the volume and complexity of administrative work, involving special problems, it has become too unwieldy an administrative charge. Bifurcation of the District, as proposed by us, is essential not only in public interest but in the interests of State Revenue also.

3.27. The Reorganised Districts and Talukas should be the basic administrative charges not only for the Revenue but for all the Departments of Government. The existing administrative charges in the several Departments such as P.W.D., Forest, where departmental jurisdictions do not in all cases correspond to the Districts, readjustments would be necessary to bring them into line with the reorganised Districts. Existing electoral constituencies may at the same time be rationalised and fitted as far as possible into the pattern of reorganised Talukas and Districts. Reorganisation of the Talukas and Districts need not necessarily involve too many changes in the existing jurisdictions but may be limited to readjustment of boundaries of such of the Districts and Talukas as are to be merged or integrated.

3.28. In regard to the administrative Divisions, we have already expressed our views that Divisional Commissioners in the State have to be continued until atleast uniformity in the State laws is brought about and residuary problems of State reorganisation are solved. The recent trends, however, favour the strenthening of administration at the regional level, particularly in the context of planned development. It is at the same time considered by many that the Revenue Board System, as in Madras, Andhra Pradesh and Kerala, is preferable to the Divisional system and is better-suited for the State. We must leave the relative merits of the two systems to be carefully examined, and the permanent pattern suited to the State decided upon, in due course. Since Divisional Commissioners have, according to our recommendation, to be continued for some more time at least, the question to be considered immediately is the minimum number of Divisions in the State required in the interests of administration consistently with economy. In our opinion the existing 4 Divisions in the State may conveniently be reduced to 3 forthwith, with a suitable reallocation of areas between them. In this connection we consider it desirable that the entire ayacut under the Left and Right Bank canals of the Tungabhadra Project which is now distributed between Bangalore and Gulbarga Divisions, should be brought within a single Divisional jurisdiction.

Administrative Reorganisation

3.29. Administrative reorganisation is a big question and a study by itself with which we as members of an Economy Committee need not directly be concerned. But in the view that an efficient administration is also an economical one, we have tried to examine broadly the working of the Governmental machinery in the State to sec in what ways it could be improved and made more economical.

3.30. Governmental work has increased both in volume and complexity since the State reorganisation. As the administrative structure has grown and larger burdens are being put upon it, it has tended to become slower in action. We heard complaints by the representatives of the people we met in our tours about the unconscionable delays in the disposal of even simple matters by Government authorities. The public feeling in the State is that the administrative machinery is slow-moving and not sufficiently responsive to the needs and aspirations of the people. There has been a vast increase at all administrative levels of paper work, accompanied by staff increases to catch up with it. Parkinson's law seems to be operative with its vicious circle of more staff breeding more work *ad-infinitum.*

3.31. Two Five Year Plans have now been completed. The State is now in the first year of the Third Plan. Considering the tasks and challenges implicit in the Third

Plan, the Planning Commission has advised the administration in the States being made action-oriented. The Planning Commission has also called attention to the need for introducing far-reaching changes in official procedures, techniques and attitudes, more especially in the field of public relations. We must, however, utter a note of caution. Since the State is now lanuched on the implementation of the Third Plan, it is not the right time, in our opinion, to introduce large-scale reforms in State administration. Horses should not be changed in the middle of a stream. The State Reorganisation has already dislocated the State administration and slowed down its working. Before introducing any administrative reform, therefore, it is necessary first and foremost to get the administration back into working order by overcoming the residual problems of State reorganisation which are impeding its normal functioning. We shall refer to the more important of these problems. The reorganisation of States gave rise to the problem of emotional integration. We cannot be sure that emotional integration of the areas forming the new State has been achieved. The naming of the new State itself gave rise to acrimony. The existence of a border problem has been a source of administrative difficulties and additional expenditure to the State exchequer. Even the normal process of revenue collection in the border areas has assumed time and again the proportion of a major political issue. The maintenance of a larger Police force for law and order purposes, involving considerable recurring expenditure, is the outcome of the political position that still prevails on the State border. Want of uniformity in the State laws and their enforcement, is a cause of present unevenness of administration in the different areas of the State. Though a number of uniform laws have been passed, only some have come into effect so far. The others have not been brought into force as the relevant rules are yet to be framed and issued. Even after five years of reorganisation of the State, the Land Revenue system, which is in a sense the pivot of the State administration, continues to vary from one region of the State to the other. There has been no uniformity as yet in the enforcement of even the uniform laws already introduced. Not only should the unification of laws be completed early but it should be seen that the laws are administered uniformly. Multiplicity of laws and enforcement procedures are handicaps to administration. The existence of differing administrative and taxation systems is as much a source of annoyance and inconvenience to the people as it is the cause of administrative confusion and fiscal loss to the State. The unification of administrative services in the new State has proved to be a more difficult problem than was thought at first. The evolution of common pay scales was the first step taken by the Government in creating a unified State administrative service. While uniform Financial and Accounts Codes and Service Regulations have been framed and issued, the question of inter-State Seniority of Gazetted Officers has not yet been finalised. Not a little of official discontent in the last four years after reorganisation is due to the delay in the settlement of this important question affecting the State's Gazetted services. It is only after the administrative deck is cleared of those vestigial matters that the Government machinery in the State may be expected to function in a normal way.

3.32. Reform of administration has been taken up in a number of other State Governments. The U. P. the Punjab and Bihar are understood to have streamlined the working of their Secretariats. More recently the Andhra Government set up an Administrative Reforms Committee. The latter's report, published in November last, covers a wide ground and contains, among other recommendations, the merger of the offices of Heads of Departments with the Secretariat according to a phased programme. In Mysore the working of the State administration was examined by Shri A. D. Gorwala in 1957 and the Secretariat reform suggested by him, called the Gorwala system, was accepted by Government on pilot basis and introduced into selected sections of the Secretariat as an experimental measure.

3.33. The State administration has all along had three distinct levels, *viz.*, State, Department and District corresponding to the Policy, Supervisory and Action levels. A national level was added after Independence and it has become significant in the years following the National Plans. In 1952 Community Development Project was introduced and there was brought into existence an *ad hoc* pattern of administration at the Block level, in between the Taluka and the village. The Taluka and village, which till now had significance only for land revenue collection, are emerging as an independent level of local administration under the scheme of Panchayat Raj introduced in the State in 1959. The crux of the State administrative problem is to harmonise the working of these different levels of administration and to keep up due proportion and balance, and to maintain an uninterrupted line of communication, between them. But the balance has been upset already in the direction of over-centralisation of powers at the top with the responsibilities for action tending to remain at the lower levels. The Planning Commission has observed that " the Secretariats in States have tended to assume responsibility for an increasing amount of original work. This has naturally reduced the initiative and responsibility of the Executive departments." The Planning Commission has in the circumstances, indicated that the main pre-occupation of Ministers and Secretariat Departments should be with matters of policy, general supervision and enforcement of standards and that 'Executive tasks should be left to be carried out by the Departments '. The public feeling in the State also is that the Secretariat is unwieldy in size unco-ordinated in action. State administration has therefore to be so reorganised as to reduce the pressure at the Secretariat level and to energise the departmental and district administration for speedy action and results. Any scheme of administrative reform that may be decided upon has, in the present circumstances of the State, to be phased out and implemented by stages, so that the working of the Governmental machinery may be speeded up without causing administrative dislocation.

3.34. The real test of efficacy of administration in a democratic set-up of Government is of course the reaction of the people to the way in which it is being run. There is, as far as we have been able to feel the pulse of public opinion in the State, an under current of dissatisfaction with the administration on the score of (1) delay and (2) corruption. Despite the appointment of larger staffs, creation of new departments and expansion of existing ones since the State reorganisation, delay in Government work has tended to increase rather than come down. The existence of an Anti-Corruption Department does not appear to have effectively checked the spread of corruption in the State. Writing on the Mysore Administration in 1958, Shri Gorwala said 'The most frequent cause of complaint, the one most bitterly voiced against Government in Mysore is that of delay '. 'Particularly bitter ', he went on to say, 'is the complaint about delay in the Secretariat and in the offices of the Heads of Departments." He attributed the real cause of this unsatisfactory position to 'the failure on a large scale to understand the responsibility which the Government and the administration owes to the people.

3.35. Delay and corruption constitute, in our opinion, a connected phenomenon and arise together under an administration which is insufficiently integrated, supervised and inspected. An elaborate administrative machinery functioning under out-moded and complex rules enables, as a keensighted and outspoken administrator has put it, "the officials to make difficulties and delays until they are paid." The responsibility for eliminating delay is squarely that of the Heads of Offices and Departments. It is the abdication of this primary responsibility on the part of the State Officers that has created the conditions favourable for the rise of official delays and corruption.

3.36. We have attempted to carry out a 'clinical study' of the working of the administration in the State. It seems to us that official delay is not a simple case of an official taking longer to do a thing which can be done sooner, but a very much more deliberate affair in which delay is found to go with corruption as its concomitant. The grass root of both delay and corruption according to our analysis is the reversal of roles of officer and subordinate. The classification of Government personnel into officers and subordinates has its basis in the fundamental distinction of duties to be performed by each category. The officer's prime function is decision-making, but this has to be supported by administrative footwork to be done by the subordinate. But though the State's Gazetted Officers are expected to assume responsibility for decision making within their powers, in actual practice, there has been a tendency to take the line of least resistance. Though suggestive noting by the case worker is prohibited in the Secretariat under an old rule, it is still the practice for noting to begin at the level of the Case-worker. The very object with which a highly paid gazetted officer is appointed is defeated by his allowing what he himself should do to be done by the clerk. A clerk with his limited equipment and outlook is just not the right person to take decisions which is the proper functions of the officer. The relegation of the officer's functions to the subordinate level is the real cause of inefficiency in administration. It is because the clerical level is inadequate in regard to the decision-making, and yet the initiative in official work is left in Government offices to subordinates, that decisions are delayed and the administrative process is retarded. The fault is not of any individual officer or class of officers but of a wrong tradition and wholly pernicious 'system' that has cropped up in administration. This system is an inheritance from the bureaucratic set-up in which the clerical staff was expected to get everything ready up to the point where the paper may be signed by the Officer. Both the temper of the times and the nature of Government work have since undergone vast changes. The complexity of the Governmental organisation and multiplicity of tasks to be performed now demand the presence at the helm of affairs in each office and Department of Government of a person who should have a clear picture of the total administrative situation and to steer the affairs entrusted to him in the desired direction. This implies judgment and decision which only a person with certain intellectual attainment and broad outlook is capable of. The State administration needs the type of officer who will function effectively at the high level of general management and decision-making. Normally the Gazetted Officers of Government should be recruited directly through examination followed by practical training and test. A percentage of gazetted posts in the State is filled up by promotion of officials on the principle of seniority-*cum*-merit. Without casting any reflection on the existing cadres of gazetted officers, it may be said that a much better type of an officer is needed for the efficient running of the Government machinery under modern conditions in the State. Academic qualification is a prime test of an officer's mental equipment, but if he is to fill the role adequately, he must possess in addition the general capacity to size up situations, take command of it and to arrive at quick and clear decisions. A stiff test based on what is known as Spearman's 'g' factor should be devised for testing the general ability of the person to be selected. In regard to promotion from subordinate cadre, excellent material exists from which it is possible to make a selection on the basis mainly of merit. Such selection should be on the basis of record of service and should be entrusted a high-level official screening committee. A system of quarterly appraisal of performance by each Governmental employee should be introduced to afford a proper basis of selection of officials to gazetted cadre on the principle of merit. It must be noted that once a Government employee is selected and appointed, he becomes entitled to his pay and emoluments till the date of his retirement and thenceforward also to pension benefits till death. The least that is to be done in the circumstances is to get the best out of the employee for the good of the State as long as he is in service. Actually, however, the appointee is selected generally on the basis of a minimum qualification. In view of admitted deterioration in scholastic standards, the minimum qualification means just a hall-mark. In a certain percentage of cases, the appointees do not turn up at all after recruitment. When the appointee reports for work, he is straightaway taken on duty but without either any training to him or knowledge on his part of the work he is to do. In the past, senior officials would take the newcomer under their wings and give them some sort of practical training and insight into the work to be done. The lack of it at present puts the recruit entirely on his mettle and he has, if he cares to learn the work, go through a long and painful process of self-education, which is rarely satisfactory. It is only after a long number of years in which the official is left entirely to his own devices that he acquires some knowledge of official work and procedure to become useful in work. This is, in our view, the main cause of inefficiency in Government work. Our broad recommendation in regard to recruitment to government service is that recruitment should be made in future through a common competitive examination which should be followed by a period of probation of one year, in the case of clerical grades, and two years in the case of superior grades of appointments, during which the recruit should be given a combined institutional and practical training. The recruit should be put through (1) a general grounding in office procedures and routine and (2) a special preparatory training for the work of the Department to which he is recruited. We suggest accordingly that training institutions be set up in all District Headquarters and that recruits upon their appointment be allotted to them for training at the end of which an aptitude test should be held. A pass in the test must be made obligatory before a recruit is absorbed into Government service and posted for specific work. A recruit failing in the test may be given one year's grace time for passing it. Failing in this, he should be discharged as being unsuitable for Government service. Period of probation need not be treated as service. During the period of probation the recruit may be paid a 'stipend' but not 'pay'. This involves naturally additional expenditure, but this expenditure is fully worth it for the sake of toning up the administration and will be more than repaid by increased efficiency in service. Government employees should undergo refresher courses at the end of 5 to 10 years of service, so that they may keep abreast of rapidly changing administrative needs and conditions under which they have to work. The curricula of training of a gazetted officer should be such as to afford not only a proper background to the trainee for the tasks to be performed by him under the State Service, but also to develop in him the habit of taking responsibility for his position and acting with promptness and decision in the kind of situation he has to handle in the normal course of administration. The tests for direct recruitment of a gazetted officer should be made sufficiently stiff and rigorous to exclude inferior material. The proper selection of officers to gazetted cadres should be followed by regular institutional training during probation. We suggest that an Administrative Training Institute, on the lines of the Indian Administrative Institute at Hyderabad, be set up at Bangalore for training the recruits to the State Gazetted Services.

3.37. Once a recruit to the Government service is trained and put through his paces, he may be expected to know what he is required to do. But yet he may not put forth his best, since he need not take more trouble than is necessary to earn his pay unless there is someone to watch his work and keep him up to the scratch. Not a small part of the low output of work in Government offices now is due to want of effective supervision over the work of the subordinate staff. There are, in all offices, officials with the varying designations of Superintendents, Managers, Head Clerks or Supervisors whose duty it is to get the officials under them to do their work. But rarely is such supervision effective at present, since supervision is reduced to a routine, and no penalty for inadequate work is either laid down or regularly imposed. Moreover the size of existing 'sections' in Government offices is too large to make effective supervision possible. In the Secretariat the size of the section varies from one Department to another but even there it is generally larger than can be effectively controlled and supervised by a Superintendent. The efficient working of Government offices, including the Secretariat, depends largely on the proper size and composition of the 'Section', which is the cell of which the administrative structure is composed. The optimum size of a section should normally be 4—5 officials under a Superintendent in the Secretariat. In the case of the offices of Heads of Departments and at lower levels of administration, the size of the section may be larger. In our view the Section in any Government office should be a compact 'working group', the members of which form a team functioning under a leader, for turning out a given amount of work everyday. The responsibility for out-turn of work in Government offices at present rests on the presiding officer, who in his turn looks to the office Manager or Superintendent to secure performance of the allotted work. The latter, because of the unwieldy size of the section whose work he has to supervise, is not in a position to exercise adequate and continuous supervision over the work of the subordinate staff. Both delay and poor out-turn of work are due to want of an 'overseeing' eye in Government offices. If it is true that 'what is not inspected is not done', it is equally true that what is not supervised is not done or at least not done well. If supervision is to be effective, the group must be small enough to permit the work of individual members in it to be watched from day to day. We have in our mind the labour gang, doing its work under the eye of the 'maistry' whose supervision, being both immediate and continuous, produces the expected result unfailingly. The Supervisor of a section in Government offices should have his group working within his sight and hearing and should in fact regard himself as the leader of the team, assuming responsibility for the collective as well as the individual performance of allotted tasks. It is only by organising Government offices on the basis of compact and closely-supervised working groups and fixing the responsibility severally and jointly for a definite amount of work to be turned out by them that real improvement in State administration may be expected.

3.38. While supervision immediately above the clerical level is necessary, inspection of work in each office by the Gazetted Officer at fairly regular intervals is indispensible. The conventional 'inspections' once a year by the Head of the Office, or by the Head of the Department is too much in the nature of a routine to be of practical value or effect. Inspection by Gazetted officers of work in their offices should be a monthly affair, one day in the month being set apart by every Officer to examine in detail the working of selected sections of his office.

3.39. Delay and inefficiency in Government work are due in some measure to the unsatisfactory officer—subordinate relation within the State service. Lack of good understanding between the officer and subordinates has operated to create a kind of class consciousness. The psychological barriers that are keeping the two components of the service rather apart, is a legacy from the past. These traditional attitudes have on the part of both to be replaced by a sense of partnership and of equal participation in the common tasks to be done. The conditions for such approachment have to be created in every Government office and in this matter, the Secretariat may give the lead. As a start, the Under Secretary may be made to take his seat in the Section itself as in all business houses. It is suggested further that representative of the non-gazetted service be associated with the Special Administrative Committee in the Secretariat and with other official committees that may be constituted for dealing with administrative or service matters.

3.39A. Notwithstanding all this, there are bound to be 'misfits' in service and some percentage of 'inefficients.' It may be a hardship to them to throw them out of service on the ground of inefficiency. But to tolerate them for the duration of their normal service until retirement would be to perpetuate inefficiency in administration. The Andhra Pradesh Government has ordered recently that all inefficient and unsuitable persons in service should be given the option to retire. Though this may add to pension charges, the extra cost is worth incurring for improving the tone of the service and raising its potential. We suggest the elimination of persons of proved inefficiency in Government service by giving them the option to retire on suitable terms.

Simplification, Rationalisation and Modernisation of Office Procedure and Systems of Work.

3.40. The people in the State have of late become conscious of their rights and expect greater speed as well as a higher standard of efficiency in Government work. If the Governmental-machinery is slow-moving, it is because of complexity of its structure and mode of its functioning. A simplification both of the governmental set-up in the State, and methods of work, is called for to make it move faster and work more efficiently.

3.41. More Departments, more Gazetted posts, and larger staffs, do not really make for increased efficiency. The wider the area of administration and larger the establishment, the more difficult it becomes to locate and enforce responsibility. It has been the practice for the Heads of Departments to propose extra establishment for every additional item of work under the illusion that by appointing more staff, work will get done better and more quickly. On the other hand the largeness of an establishment itself slows down its action and makes it more difficult to efficiently manage and control it. With less but more carefully recruited, and better trained staff, more satisfactory results may be expected than by a mere multiplication of officers and staffs. Redundant staff, like adipose tissue, slows down the administrative metabolism. Our general impression is that the Government offices in the State are over-staffed and under-supervised. We suggest a simplification of the Governmental set-up in the State on the following lines generally :—

(1) Elimination of ornamental, ineffective and obsolete Departments.

(2) Abolition of offices of intermediary nature, which intercept correspondence and hold up work rather than expedite it.

(3) Retrenchment of ineffective posts and appointments.

3.42. We shall go into the particulars of the Departments, officers and posts, which may be retrenched, in the course of the study of Departmental expenditure in the next Section of this Chapter.

3.43. The working of Government offices is often compared to that of business houses and organisations, and a simplification of Government procedure, on the lines of commercial practice, is suggested for expediting Government work. It is claimed further that such simplification would reduce opportunities for corruption and eliminate delay. Some of the practices and devices in use in business houses, such as for example franking machines, mechanical duplicators, computators, electronic equipments like those of Hollerith, may be introduced into Government offices for saving labour and securing greater accuracy in performance. But a wholesale application of business methods and practices to Government work is not, in our opinion, feasible. The responsibilities of a Governmental administration differ both in scope and objects from those of business organisations. A Government is answerable to the people and has to maintain continuity in its policies and also ensure equality of treatment. A business organisation aims at making the best of each transaction and is answerable only to itself. But, however, State-owned industries, the Government Press and Publication Department, Stores Purchase and the commercial part of the Forest Department, etc., stand on a different footing. All these can be, in our opinion, run as business concerns. The working of these as Government Departments, instead of on a strictly commercial basis, is responsible for inefficiency as well as inadequate return. We are advised that by exempting the State industrial concerns from the operation of the regular Governmental rules and procedures in regard to matters like recruitment of staff, payment of wages, purchase of stores, etc., and by working them on strictly commercial lines, there will be a significant improvement in their returns. We will go into this matter later.

3.44. Simplification of Government procedures and methods of work covers a wide field. We can only give general indications here. The existing Financial Accounts, and Service Codes and Regulations, though comprehensive, are too elaborate and complex to be followed easily or applied promptly. The Classification Code and Appeal Rules are neither understood well nor followed correctly, with the result that a number of orders passed by officers and even by Government under these rules have been successfully challenged in the High Court and reversed. The procedure enjoined under the C.C.A. Rules is analogous to the one to be followed in regular criminal investigation. The accused person invariably tries to make difficulties and prolong the proceedings. We are informed that instructions have been issued recently limiting the time allowance to the accused person to a fortnight, on the analogy of adjournments given by courts of law. Since speedy injustice is better than tardy justice, we feel that the elaborate procedure now followed in these enquiries calls for further simplification. A new Manual of Office Procedure has been got up and introduced in a few offices. We gather that the new office procedure is more complicated and time-consuming than the Tottenham System which was simple, clear and easy to work. This matter will be dealt with separately.

3.45. The procedure for the payment of contractors' bills, and bills for supplies received, appears to be too involved and is stated to be responsible for considerable delays in the payment. The general rule even now is that claims against Government should be promptly settled. Some of the representatives of the people interviewed by us complained of inordinate delay in the settlement of final bills of contractors and suppliers to Government Departments. We understand that on this account good contractors often hesitate to take up Government contracts, and that the delay is also exploited by unscrupulous contractors and suppliers. We suggest a simplification of the financial and departmental procedure in regard to the payment of bills for works and supplies, with a view to resolving difficulties and expediting the settlement of long-pending claims. Meanwhile we suggest that intermediate bills should as far as possible be paid without holding them up on account of minor irregularities or formal objections.

3.46. A good deal of the public time of Heads of Departments and of officers is taken up in dealing with service matters like promotions, transfers, leave, pension and departmental enquiries. The rules in regard to all these matters require simplification. What the Accounts and Service Regulations have gained in volume and bulk they have lost in clarity and flexibility. A more liberal delegation of powers to Heads of Departments and to District authorities in regard to service matters is necessary and will obviate a good deal of needless work and correspondence, while giving better satisfaction to the staff. We suggest that the Special Administrative Committee, which has been set up in the Secretariat, takes up this question and helps frame a set of broad principles to be followed by the Heads of Government Offices, leaving their detailed application to individual cases to subordinate officers. Instead of the Finance and Accounts Codes attempting to regulate details to cover every conceivable case, they should, we feel, confine themselves to laying down general principles and safeguards. The recommendations made by the Andhra Pradesh Administrative Reforms Committee, 1960 in regard to certain service matters are extracted below, and we suggest the adoption of as many of them as possible in the State.

(1) Government employees should be permitted to draw annual increments from the dates of their initial appointment, irrespective of whether their appointments are regularised or not;

(2) Heads of Departments should issue notices to all subordinates that they should personally get their service registers verified to bring them up-to-date annually;

(3) The Accountant General should maintain the history of services of Gazetted Officers and send extracts periodically to the officers;

(4) On the eve of the retirement of an officer, the anticipatory pension should be calculated on the basis of his total qualifying service as shown from the records readily available and the average emoluments drawn by him during the three years before retirement and three-fourths of the amount thus worked out should be sanctioned as anticipatory pension, pending further scrutiny of service registers.

(5) Temporary service rendered by an employee should be taken into account for purposes of pension, anticipatory or otherwise, provided the total period covered by breaks in service does not exceed six months.

3.47. We understand that liberalised Pension Rules, recommended by the Mysore Pay Committee, have been adopted by the Government. But delays in finalising pension cases continue to be inordinate. The delay is mainly due to discrepancies in service records. The remedy is to make each Government official maintain a duplicate of his Service Register and to have it verified annually by the Head of the Office, the duplicate Register being accepted as the basis for sanctioning the pension in the event of loss of the original record.

3.48. Work in Government Offices may be greatly reduced by the adoption of the following measures generally :—

(1). Careful review of existing Registers, Forms and Returns in all Departments and elimination of obsolete and unessential ones ; (2) discouraging lengthy and essay-form of noting and reporting ; replacing letter form of official correspondence, by unofficial consultations ; using authorised abbreviations ; resorting to telephonic discussions in place of regular correspondence ; and reducing the number of stages in official noting by adopting the principle of 'Level-jumping'. It should, we consider, be possible to limit noting to two stages between the one at which it is initiated and the one at which it is finalised. This presupposes reducing the number of clerks, simultaneously increasing the number of officers. The principle of 'Level-jumping' may be introduced in the Secretariat and extended gradually to other offices of Government. The registers and forms in use in the several Departments may be simplified by deleting unnecessary columns, and omitting purely formal items. There is much formalism in office prcedures at present which may safely be done away with. Official reports and correspondence are often unnecessarily lengthy and prolix. The old tradition embodied in the witticism that 'he governs best who writes most' still persists, particularly in the Secretariat, where the lack of precise thinking and want of ideas is covered by pure verbiage. It would also be worthwhile standardising the forms of reporting and noting in routine matters, so that the relevant items therein may be ticked off and lengthy writing is obviated. In subordinate offices, and in respect of most routine items of work, standardised form of noting under specific columns and specific printed items would result in considerable economy of effort and time with gain in precision. We suggest first that subordinate offices may be required to send their reports in duplicate, one copy of which may be returned by the Head of the Department with orders thereon.

3.49. The possibility of reducing the size of the State Budget may be considered and Appendix 'B' of the Budget, relating to establishment of the several Departments, be separated and printed once in five years instead of annually, changes therein from year to year being indicated through *corrigenda* or *addenda*. The size of the State Gazette may be cut down by confining its scope to matters of State interest, matters of regional and local interest being published under a regional or District Gazette. The Civil List has assumed formidable proportions, and may be published once in two years instead of half-yearly.

3.50. Finally, simplification of State laws has to be earnestly considered. The legislative output is proceeding at an alarming rate and unless the laws enacted are simple and clear, so that even he who runs may read and understand, they cannot be effectively enforced, and their enforcement will involve larger staff and a greater expenditure from the State Exchequer. The opportunity of introducing uniform laws may be availed of to bring about their simplification. We must refer in particular to the Land Acquisition Act. We are told that the procedure to be followed under the existing Act for acquisition of land is cumbersome. Acquisition proceedings are not only delayed but involve avoidable payment of interest, etc., also. The Central Acquisition Act having been extended to the State from August 1961, the simplified procedure prescribed thereunder is expected to reduce delay in acquisition proceedings to some extent. This aspect of the matter will be discussed further on.

Decentralisation

3.51. As pointed out by the Andhra Administrative Reforms Committee, centralisation and decentralisation have reference to distribution of power. There is a view that decentralisation involves extra expenditure, since usually the staff at lower levels is increased, while that above remains the same or is sometimes increased also. The main difficulty about decentralisation seems to be the reluctance on the part of the Government and of higher officers to part with power, and the fear that by delegating power to a lower authority, it is likely to be misused. It is well to remember, as so well said by Paul Appleby, that delegation not only increases the total responsibility of an institution but enlarges the authority of those who delegate it. Appleby, also refers, in writing about Indian Administration, to the " monumental failure to develop in the subordinate the capacity needed to accept and use delegated authority". Decentralisation is a matter not only of trusting those below but really of creating an atmosphere of trust. But fulfilment of delegated authority depends on the existence of the necessary capacity and willingness to bear burdens. Not only should powers be decentralised but powers so delegated should be actually exercised. We got the impression, while discussing the subject with the Secretaries to Government, that sufficient powers, financial and administrative, have been delegated to the officers but that the enlarged powers are often not exercised. It is futile to delegate more power to lower levels unless officers at those levels are in a position to shoulder additional responsibilities. Non-use of delegated power may arise because of officers being either prevented from exercising it or incapable of doing so. The officer on the spot should be allowed to act freely within his powers. If however an officer consistently fails to exercise the powers he is required to exercise, he should be transferred to a position of lesser responsibility. But normal exercise of constituted powers and functions by officers at their own levels should not be interfered with by intervention on the part of the higher officers or the Government. The tendency for Gazetted Officers to rely on subordinate support and to leave the initiative to come from below, should be checked.

3.52. Decentralisation should begin from the very top and descend to lower levels. The existing Rules of Government Business throw a substantial amount of administrative work on the State Cabinet. The recent trend is for State Cabinets to be enlarged from time to time. With the increasing tempo of Government work, the Cabinet may become in due course so overburdened with detailed administrative work as to be left with little time for its legitimate functions of policy-making, coordination and review. The desire to get into details, which is good and proper at the lower levels of administration, becomes an impediment to the discharge of Cabinet responsibilities. In the words of Appleby " All review functions are high-level functions and must be performed in the highest terms". The practice that has come into vogue of Ministers wishing to see all files is not in the best cabinet tradition and cannot but be deplored, as it comes in the way of good administration. The combination of administrative work with policy-making at the State Cabinet level is a legacy from the bureaucratic past when Executive Councils had to handle both. The same trend is carried over into the present democratic set-up, although the Cabinet in a democratic set-up need not be concerned really with detailed administrative work. The Planning Commission has given categorical advice that ' the main occupation of Ministers should be with making of policy, general supervision and enforcement of standards '. We suggest that policy-making, and the administrative items of work, now combined at the Cabinet level, be separated and that the latter be devolved freely on the Secretaries of Government. After such delegation, the Ministers can effectively concentrate on general supervision, appeals and reviews. Broadly speaking, if a scheme or proposal is in line with the accepted policy of Government, and there is provision for it in the Budget, it should be allowed to be dealt with finally at the level of the Secretaries to Government, without the need for the same to be brought up before the Cabinet. The Government Business Rules provide for delegation by the Ministers of powers vested in them to Secretaries to Government. It is understood that such delegations have been made recently. But the delegations made in the different Secretariat Departments are, in our opinion, neither uniform nor adequate. We consider a uniform pattern of delegation of powers in the Secretariat desirable. But we make no specific recommendation as this impinges on the question of Ministerial responsibility, about which a proper convention is yet to be established.

3.53. We discussed the question of adequacy of financial and administrative powers vested in the Heads of Departments. The Heads of Departments appeared to be satisfied with the powers now devolved on them. In regard to making direct purchases without going through the S.P.C., however, the existing financial limit seems to us already high, if not too generous. For example, Chief Engineers in the P.W.D. are competent to make direct purchases up to a limit of Rs. 15,000 in each case. But the limit of such power of Central Government officers of corresponding status is understood to be only Rs. 2,000. We understand further that the Heads of Departments rarely exercise the higher powers vested in them. In our view, no further delegation of financial powers to Heads of Departments is called for.

3.54. A suggestion was made that a whole class of functions and not individual items only, should be decentralised and devolved on the Heads of Departments. In this connection the difficulties and delays in the present procedure of purchase of medical stores was specifically brought to our notice. Instances of delay in obtaining life-saving drugs under the present system of purchase through the S.P.C. were cited, and it was contended that the Medical Department was handicapped in obtaining drugs and medicines of the right quality by having to make purchases through the S.P.C. We went into the matter at a special meeting with the Chairman, S.P.C., Secretary to Government, Medical Department and Director of Medical Services. In regard to purchase of imported medical equipment, it was agreed that delay was unavoidable in the prevailing sellers' market and trends in world trade and that the delay would still be there even if the Department placed orders direct. In the case of medicines and drugs, however, the Director of Medical Services himself admitted that the delay at the S.P.C. stage was now greatly reduced and that the S.P.C. was the better and more economical agency for making the purchases. The consensus of opinion was that purchase of medical stores may be continued to be made through the S.P.C. with better liaison between the Medical Department and the S.P.C. We will pursue the question of delay in the Store Purchase Organisation separately in considering the proposed reorganisation of the Department. We were however informed that on the ground of delay in getting imported machinery and equipment required for the Sharavathy Valley Project, an *ad hoc* Purchase Committee had been set up in the P.W.D. Secretariat for obtaining the requirements of the Project direct, without going through the S.P.C. The Chairman, S.P.C., with whom were discussed the need for such an *ad-hoc* purchase unit in the Secretariat, made it clear that, in principle, purchases of Stores and equipment for all Departments of Government should be centralised, in the interests of quality of supplies and economy in expenditure. He made out, on the basis of facts and figures, that the alleged delay in getting equipment and machinery for the Sharavathy Project was not in the S.P.C. but in the Department itself, the real cause of delay being that the work relating to specification was relegated to a low level in the indenting departments, whereas it should be done at a very high technical level. Our views in this behalf are given later in discussing the reorganisation of the Stores Purchase Committee. But we would straightway subscribe generally to the views expressed above by the Chairman, S.P.C. and recommend that purchases of requirements of all Departments of Government be centralised and done through the S.P.C. and that the *ad hoc* organisation set up for the Sharavathy Valley Project in the Secretariat be wound up at once. Further, as agreed into by the Chairman, S.P.C., the Heads of Departments of Major Departments may be declared as 'Director Demanding Officers' of the Indian Stores Department and enabled to enter into I.S.D. rate contracts direct.

3.55. The Chief Engineer (Communication and Buildings) referred to the recent withdrawal of the power which had been previously conferred on him to appoint and employ staff up to the Assistant Engineer's level in respect of schemes costing over a lakh of rupees. He stated that the withdrawal of this power was a handicap in getting through plan schemes. In view of a large number of schemes under the Third Plan to be executed by the P.W.D., we recommend the restoration of the power to the Chief Engineer. The Heads of other Major Departments also should, in our opinion, be invested with power to appoint temporary staff up to certain limits. There are several other administrative powers which should be delegated to the Heads of Departments to obviate the necessity for frequent reference to Government. Over-centralisation of powers in the Secretariat to which we have referred is throwing much avoidable work on the Secretariat and the offices of Heads of Departments and is also an important cause of delay in the progress of departmental activities and schemes. Delegation of administrative powers required by Heads of Departments should be considered in the interests of speedy and economical execution of plan schemes. We may state in this connection that the Andhra Administrative Reforms Committee has recommended the delegation of the following, among other, powers to the Heads of Departments :—

(1) To appoint the staff, provided in the sanctioned estimate subject to budgetary provision. Where it is not possible to furnish the details of staff requirements in the estimate, the Head of Department should be delegated with powers to appoint staff up to a specified percentage of the total estimated cost of a sanctioned scheme pending sanction to the full staff required.

(2) To sanction leave up to 3 months to District Officers working under them and to make arrangements for appointing substitutes subject to ratification by Government.

(3) To authorise investigation by the Accountant General into all cases of arrear claims, irrespective of the period to which it relates.

(4) To extend the period of special staff appointed for emergencies up to a period of one month in anticipation of Government Orders.

(5) To employ additional staff for clearance of accounts arrears for a period of 3 months, in anticipation of Government approval, subject to the advice of the Accountant General as to the necessity and quantum of staff so required.

(6) To decide the location of Plan Schemes.

(7) To appoint officers on promotion from an approved panel, without prior approval of Government in each case.

(8) To transfer Gazetted Officers at Sub-Division Levels.

(9) To take up buildings required for offices on rent up to Rs. 500 per mensem after obtaining the prescribed certificate from the Public Works Department.

(10) To sanction charge allowance to District Officers up to a period of three months.

We recommend the delegation of the above powers to the Heads of Department in the State, if such powers have not already been delegated, subject, in the case of item (1), to existing powers of making appointments. At present the Chief Engineers have to obtain previous sanction of Government for disbanding the project staff as and when the work is completed. Because of this and the delay in obtaining orders of Government in each case, project staffs are continued in several cases even though they have no work to do. The power to appoint subordinate engineering officers and establishments within the maximum limit of sanction and to reduce or disband them, may be conferred on the Chief Engineers. Further, the power to accord administrative sanction for schemes in the State Plan up to Rs. 10 lakhs may be allowed to be exercised by the Secretaries to Government in the Administrative Departments, in consultation with Financial Advisers.

3.56. Since the District administration is the true action level in Government, adequate financial and administrative powers should be delegated to District officers in all Government Departments. This will enable the officers on the spot to act quickly and effectively without waiting for orders from above in each and every case. At the same time the vast amount of paper work at all levels of administration will get reduced, with consequent saving in staff and expenditure on a considerable scale. In particular we recommend that the powers of recruitment, transfer and promotion of non-gazetted officers in all District cadres should be delegated completely to District Officers. The District Officer under the British administration in India, was the 'man-on-the-spot' who took prompt and decisive action in day-to-day administration, without waiting for instruction from above and without being prompted into action by local pressures. Though the colonial type of administration of those times is a thing of the past, the District Officer is still the pivot of State administration even in the democratic set-up of the present day. It is at the District level of administration really that the people come into contact with the Government and the citizen and the civil servant meet. It is here, therefore, that, as a senior State Officer puts it, there is scope for "improving the profile of Government". The Deputy Commissioner of a District is, in a sense, the key-man of administration. So too is the Executive Engineer and the District Forest Officer in their respective Departments. Officers who are to fill these posts should not only have the necessary knowledge of the official techniques and procedure but sufficient experience to size up men and affairs and to deal with situations firmly and with tact. These qualities come only after a fairly long period of service with public contact. Under the present dispensation, however, junior officers get rapidly promoted to senior scales and are posted to District charges on their entering the senior scale. The result in many cases has been that very young officers get into District charges at too early an age, before they have, as it were, cut their wisdom tooth. A convention should, we feel, be set up that, as a rule, no officer, in the General Administration, Public Works, Forest Departments or other Major Department, is placed in independent charge of a District until he has put in at least ten years of service. This need not, however, come in the way of cadre promotions to which the officer becomes entitled in the usual course. In this connection it was brought to our notice that Deputy Commissioners of Districts are at present required to be the chairman of many local committees and associations of quasi-public nature in the District. A Deputy Commissioner, whom we met in our tours, produced a list of 42 Committees and Associations in the District of which he was Chairman or President and stated that even at the rate of one meeting of each Committee in a month, he had to set apart some part of each working day to preside over them. Besides this, Deputy Commissioners are called upon to be present at a number of scheduled or non-scheduled meetings and conferences in the District and are required to accompany Ministers, Deputy Ministers and distinguished visitors during their tours. The Deputy Commissioner is also expected to arrange for the celebrations of public functions, like the Republic Day or Independence Day and attend to all details in regard to them, which absorb a considerable part of his time and energies. Many of these functions and activities could well, be taken over by public leaders or by local committees of such persons, and the hard-worked and harassed District Officer set free to attend to his legitimate work. The utilisation of the time now devoted by Deputy Commissioners to unscheduled activities for his regular duties is bound to improve the standard of District administration and reduce public complaints of delay in official work.

3.57. Our opinion has been asked about the proposal to appoint Additional Deputy Commissioners for some of the bigger Districts in the State. It is stated that the volume of work in the bigger District Offices is too heavy for a single officer to cope with, and that in Madras and Andhra Pradesh, an additional Collector is given to each District. In our opinion, however, more than one Deputy Commissioner for a District is neither necessary nor desirable. There is also no need to increase the number of top officers. With simplification of work and procedures, and delegation of larger powers to Deputy

Commissioners, work in the District Offices should be expected to be reduced to manageable proportions and make the appointment of an Additional Deputy Commissioner unnecessary. If, there is accumulation of work in a particular District and an Additional Deputy Commissioner is to be posted, it should be as temporary measure and for a specific period only. This should not however become a precedent.

3.58. It is proposed to increase the number of senior duty posts in the State administrative (non-IAS) cadre by way of compensation for the posts in the cadre held by IAS Officers and we have been consulted in the matter. We cannot support the proposal, since it has been made, not in the public interest but with the object of improving the promotional prospects of certain officers. There are already many instances of upgrading posts and giving *proforma* promotions under the Next Below Rule for the personal benefit of individual officers. We are firmly opposed to grant of promotion and upgrading of posts, on personal considerations. In our opinion, no IAS officers should be posted against appointments in the State (non-IAS) cadre, as this involves unnecessary upgrading of such posts and increased expenditure. We strongly recommend that this practice be given up, and that the proposal to increase the number of senior duty posts in the non-IAS cadre be dropped.

Work-load

3.59. The Mysore Pay Structure (Mascarenhas) Committee 1955, recommended that the strength of offices and establishments may be regulated with reference to workload, which itself may be reduced by (1) further devolution of powers and (2) simplification of office procedures. The Central Pay Commission observed that " a fair work-load is an obvious counterpart of fair terms and conditions of employment ". The Mysore Pay Committee 1961 noted that whenever there was some increase of work or a new scheme was sanctioned, the general tendency was to ask for more staff without considering whether there was sufficient workload for the existing staff or not. In the absence of standard work load for the several categories of government servants, the Heads of Departments mechanically accept the proposals of subordinate officers for extra staff which is sanctioned by Government on the recommendation of the Heads of Departments. Thus establishments multiply without relation to the work done or results achieved.

3.60. The underlying idea of work-load is that each employee should have a full days work to do for which he is employed and paid. Work-load is a quantitive term and has reference to specific units of work which a person can turn out in a given amount of time. While work-load in the case of clerical staff, doing scriptory work, can be measured in terms of receipts dealt with, there is no yardstick for gauging the amount of work done by the executive staff and higher supervisory personnel. The work of the latter cannot also be expressed in terms of precise units on the principle of time and work. In the case of Class IV Government employees generally, the duties done are not susceptible of job analysis, and attendance at the place of duty during the whole of the working have to be taken as the work load. In certain categories of posts connected with emergencies, such as Fire service staff, research, etc., no strict correlation between time and work is possible. In several other categories of Government employment, what constitutes a day's work has to be determined empirically. The determination of work-load in the several Government Departments, and for the different categories of Government employees, is a job for trained administrators to tackle on the basis of work studies, which we as members of an Economy Committee are not in a position to take up. It is in the fitness of things that the work is assigned to the newly-created Special Administrative Committee in the Secretariat. The Special Secretary O. & M. Section, may be in immediate charge of the work and institute necessary work studies with the collaboration of the Heads of Departments. The work-load to be determined for each category of Government employee and in each Department should, however, be based on the amount of effective work to be done at each level of administration, taking into account possible simplification in methods and procedures, and decentralisation of powers.

3.61. Pending a scientific determination of work-load on the lines suggested above, we caused study to be made of the volume and nature of work, and the staffing-patterns in the several Departments of Government, through series of meetings and discussions which our Member-Secretary had with the Heads of Departments. The specific points arising out of the study are taken into consideration in discussing economy in departmental expenditure in the next section of this Chapter. About clerical grades, there is no difficulty as already said, in determining the work-load with reference to the number of paper to be dealt with in a day. Reference may be made here to the Madras Government District Manual and to the Report of the Economy Committee on the Secretariat Departments, Government of Andhra Pradesh. In laying down the work-load for clerical staffs in administrative offices, the Madras Government ruled that a clerk in a Taluk Office, Sub-Divisional Office and District Office can effectively deal with 7, 8 and 10 papers per day respectively. The average work-load in the several Secretariat Departments of the Andhra Pradesh Government is seen to range from 10 to 13 receipts per day. The Andhra Pradesh Economy Committee proposes 10 currents per day for each Upper Division clerks, and 7 per day for a Lower Division clerk, as the reasonable standard of performance. From our discussions with the Chief Secretary, we understand that, in Mysore Secretariat, the work-load at present averages 8 receipts per day. This, as compared to the work-load standards in the Secretariat of neighbouring States, is a low rate of performance which has to be stepped up. We have considered the question in all aspects and are of opinion that a uniform work-load for clerical grades in Government offices in State be fixed up on the standards evolved in Madras and the Andhra Pradesh. We accordingly recommend that the work-load of clerks in the Secretariat and allied offices, as well as in the offices of Heads of Department, be determined on the average at 10 receipts per day, and that in the case of subordinate offices at the District and Taluk levels, 8 and 7 receipts per clerk respectively may be fixed as work-load. In the case of an office where a lower standard of work-load than this is considered necessary, special orders of Government may be required to be obtained. We suggest the immediate adoption and enforcement of the proposed work-load for clerical grades in all Government Offices in the State, including the Secretariat.

General Economies

3.62. The single largest item of Government expenditure is on Salaries and Establishment. It is estimated that generally about 50 per cent of the State budget is devoted to salaries and wages, direct or indirectly.

3.63. The following is the analysis of expenditure under salaries and establishment, and under fixed charges, at the present level.

Heads of Account	*In lakhs of rupees*
1. *Salaries and Establishment*—	
Pay of Officers	209.47
Establishment	1,186.51
Dearness Allowance, Other Allowances	611.50
Other charges	59.04
Travelling Allowances	138.10
Contingencies	184.24

The expenditure on Salaries and Establishment works out to 32.3 per cent of net revenue, and 30.4 per cent of net expenditure, of the State. The expenditure under 'other charges' is 5.62 per cent of net revenue, and 5.16 per cent of net expenditure.

3.64. There are 1.6 lakhs of Government employees in the State. 3.2 per cent of sanctioned posts is vacant. About 76.8 per cent of the existing posts is permanent, the percentage of temporary posts to total number being 23.2. The respective proportions of Gazetted, non-Gazetted and Class IV employees to the total number is 2.6, 71.6, and 25.8, respectively. 60.14 per cent of Government employees draw a basic pay of Rs. 51, or more but less than Rs. 101, and the percentage of employees in the pay-group of Rs. 101—200 is 9.09 per cent. Thus about 96 per cent of State Government employees draw a basic pay of less than Rs. 200. The percentage of employees drawing a basic pay of Rs. 200 and more is about 3 per cent. Taking the total emoluments drawn by the three groups, the percentages of emoluments to the total emoluments drawn by each works out to Rs. 39.55; 28.02 and 16.78 respectively.

3.65. The distribution of Gazetted and Non-Gazetted employees in the State, according to the nature of work done, is as follows:—

	Per cent of employees in each group to the total number
Gazetted—	
Administrative-*cum*-Executive	45
Technical	55
	100
Non-Gazetted—	
Ministerial	21.4
Technical	14.8
Executive	63.8
	100

Four major departments, *viz.*, Education, Police, Revenue and Public Works, together account for over 60 per cent of the total number of posts in the State. The individual percentages of each of these Department to the total number are 28.2, 14.9, 11.3 and 7.1, respectively. Revenue, Medical and Public Works Departments have the highest ratio of Gazetted posts, and Education and Police the highest ratio of non-Gazetted posts, in the State.

3.66. The pay scales in the State have recently been revised and brought up to the level in Madras. In addition, pension and leave rules have been liberalised, and free medical assistance and educational concessions have been afforded to the Government employees in the State. Additional pension charges on account of revision of salaries is estimated to be Rs. 20 lakhs a year. In rationalising the pay scales and reducing their number from 200 as existed in 1957 to 90, the Pay Committee has generally kept in view the need to level up the emoluments of low-paid staff and to afford better promotional prospects and other service benefits at all levels of the State service. The revision of pay scales, by the merger of substantial part of dearness allowance in the basic pay, has resulted in raising the average minimum pay in the State to Rs. 66 per mensem and minimum average emoluments to Rs. 99 per mensem. In relation to the general economic condition of the rest of the population in the State, and to the State's financial position, the revision of pay scales constitutes in our opinion, a fair deal to the Government servants. While there can be no question, therefore, of any reduction in the revised grades of salaries and pay of establishment, there is scope for reducing superfluous staff and rationalising the staffing-pattern at different levels of administration in the State.

3.67. We are dealing with the Secretariat separately in the next section. We indicate here the changes in the existing staffing-patterns in the several Departments of Government in general terms. It has to be noted that there is need for co-ordination at the departmental level, particularly of Development Departments. We visualise two such broad groups, *viz.*, Agriculture and Industries. Allied and related Departments in these two fields of development should function in a co-ordinated way under the unified control and supervision of an overall authority for each group. We visualise an Agricultural Development Commissioner, and an Industrial Commissioner, for the State. The Development Commissioner, now functioning in the Secretariat, may be made the Agricultural Commissioner with jurisdiction over the Departments of Agriculture, Food Production, Animal Husbandry and Veterinary Services, Fisheries, Horticulture, Co-operation, and Community Development. The Director of Industries and Commerce may be designated as the Industries Commissioner and have, alongwith Industries Department and State owned Industrial Concerns, of which he is already in charge, overall supervision of the Departments of Sericulture, Marketing, Geology and Mining. The internal activities of each of these Departments will be carried on as at present, but all correspondence with Government and with other Departments should be channelled through the respective Commissioners. The Departments in each group may combine for common purposes and share available facilities in matters like accommodation, transport, equipment, research, etc., from a common pool.

3.68. The Departments of Government are already classified as Major and Minor Departments. There should be no upgrading of minor departments into a major one, merely for the sake of giving a higher status and powers to the head of a minor Department. There is of late a tendency for proliferation of Departments and creation of new departments, such as the Horticultural Department, Fisheries Department. There is a move afoot to divide the Animal Husbandry and Veterinary Department into a separate Livestock and a Veterinary Department. These tendencies should be checked, since by the creation of new departments there is increased expenditure on staff without proper co-ordination of work or greater benefit. We see further that there is no uniform staffing-pattern in the Departments either for the Central Offices or at subordinate levels. The tendency of late is to create posts with the higher designation of Joint Directors, Deputy Directors, etc., for doing the work which formerly was done by Gazetted Assistants. We consider that a uniform and simple pattern of Gazetted and supervisory staff should be evolved for the Major and Minor Departments, respectively. Generally speaking there should be only one head of Department and other officers at the Headquarters should be his close associates. The Public Works Department is of course an exception., In other Major Departments it should not be necessary for the Head of the Department to have more than one Joint Director, who may exercise all the powers of a Head of Department up to a certain level, or a set of functions. He may also deputise from the Head of the Department during his absence on leave or on tour. The other Headquarter Officers should be only office or Technical Assistants, the number of such officers being fixed in proportion to the clerical staff and workload in each office. Each Head of a Major spending Department should be provided with a Financial Assistant of the grade of Deputy Controller. In the case of Minor Departments the Head of Department should have only one or two Gazetted Assistants as the case may be, and one Accounts Superintendent, but no Joint or Deputy at the Headquarters Office. As regards the administrative set-up of the Major and Minor Departments, we suggest the following broad pattern. In Major Departments, Deputy Directors, and in the case of the Public Works Department, Superintending Engineers, should be Regional Officers and there should normally be only one Deputy Director for each administrative division. Additional Directors and Superintending Engineers will be needed only for Major Projects or schemes of magnitude which require high-level supervision. In the Minor Departments there need not be any regional office in between the Headquarters Office and the District and normally no regular establishment or office below the District level. In the Major Departments there may be a District Officer for each Revenue District, with one Gazetted Assistant but in Minor Departments the jurisdiction of the District Officer may be more than a Revenue District, depending upon the volume and nature of work. For a District Officer of a Minor Department no Gazetted Assistant is normally necessary and an Office Manager would be sufficient.

3.69. In between the District and Taluka levels, there are intermediary officers in some of the Departments, as for example the Revenue Sub-Division Office, Office of the Assistant Conservator of Forests and Deputy or Assistant Superintendent of Police. There is a view that Revenue Sub-Division Officers are not useful and are merely holding up and delaying the work that passes between the Taluka and District Offices. It has been suggested that the Revenue Sub-Division Officers may be abolished and that the Assistant Commissioners may be withdrawn to District Headquarters and made use of as whole time Inspecting Officers. We have considered the suggestion. In our view Revenue Sub-Division Offices have been in existence from a long time, and they have a useful purpose to serve and role to play in affording prompt redress to the people in mofussil areas, and scope for ventilating their grievances. The Sub-Division Officer, or Pranth Officer, can serve as the ears and eyes of the Deputy Commissioner and relieve him of less important items of work which could well be disposed of finally below the District level. Moreover Assistant Commissioners are already functioning as the Inspecting Officers and have specific statutory functions to perform under several enactments as for *e.g.*, the Agricultural Income Tax Act, Land Acquisition Act and Tenancy Act. They have also to supervise the work of Development Blocks in their areas. While in the circumstances we are not in favour of abolishing Revenue Sub-Division Offices, the idea of abolishing the Sub-Division Office and of withdrawing the Assistant Commissioners to District Headquarters to function as whole-time Inspecting Officers may be tried out experimentally in one or two smaller Districts in the State. We are not sure if the Offices of Assistant Conservators below the Division are quite necessary. They may be continued only where there are specific duties to be done below the level of the District Forest Officer which the latter cannot take up himself. We see no need for a Deputy or Assistant Superintendent of Police at the District Headquarters where the Superintendent of Police is present. In our view a Deputy or Assistant Superintendent of Police is necessary and may be posted only in special areas of heavy and chronic incidence of crime and where peculiar or difficult law and order conditions prevail.

3.70. At the Taluka level, there are three distinct agencies functioning in the service of the rural areas, *viz.*, the Community and N.E.S. Block, field staffs of developmental departments in the non-block area, and the recently created Village Panchayats and Taluka Boards. There is duplication and overlapping of functions and of staffing at this level. An observer has put it, " As a fifth wheel,—the Block Development Organisation has distorted and diminished the work of regular Departments ". The integration of the service personnel of these overlapping agencies into a single useful and democratic combination was suggested by the Balwant Rai Mehta Committee. Now that the Taluka Boards have been constituted in the State and the working of the C.D. and N.E.S. Blocks stands transferred to them, there should be no difficulty in integrating the staffs of the three different development agencies into one combined Local Administration Service. A Local Service has been constituted recently in the State with a separate cadre of Village Panchayat Secretaries. This matter will be discussed in Chapter 8 in recommending a suitable and economical staffing patern for development and administrative work at the village level. We wish to indicate here the possibility and desirability of combining the development and revenue functions ultimately at all levels of administration. Meanwhile surplus staff at the Block level may be reduced by combining the field staffs for Block as well as non-Block areas to start with.

3.71. The revenue functions of the Tahsildar have diminished both in volume and in importance. He and his office are without sufficient work as they have no responsibility for development work. We have recommended a reduction in the number of Taluks in the State from 171 to 120. When this recommendation is implemented there will be a reduction automatically in the number of Taluka Offices and of Tahsildars. Since the Reorganisation of Taluks will take sometime to be effected, the possibility in the meanwhile of placing a Tahsildar in-charge of more than one Taluka may be considered wherever the existing charges are too light and a suitable reduction of staff effected in each such combined charge.

3.72. In the New Mysore State the average population of a village is 577, and 62.4 per cent of the villages have a population of less than 500 each. 33.5 of the villages have a population ranging from 500 to 2,000 and only 1.2 per cent have more than 5,000 persons residing in them. The Mysore Finance Enquiry Committee 1956 observed as follows in regard to the optimum size of a development unit at the village level :—

> "We have to think in terms, not so much of individual villages, as of viable development units with a minimum population to make development not only possible but also well worth the expenditure incurred on it. A development unit is one which ideally should have, and be able to provide, basic, institutional amenities to its inhabitants, such as school, hospital for men and cattle, water supply, road, lighting, etc. As it is not possible for every single village to be provided with all these amenities or for every village to maintain them out of its own resources, the question of the size of the development unit becomes important. While the existing size and population of villages has significance for administrative purposes, it is not suited, and does not lend itself readily, for development purposes. It is necessary, therefore, at the very outset, to form viable rural development units out of the existing villages or groups of them. The optimum population for a development unit in the State is around 5,000 in the case of maidan and possibly something less in the case of malnad. A development unit of less than this size will not either justify the expenditure to be incurred on providing basic amentities or enable the unit to maintain the amenities so provided."

Though the average population of a village panchayat in the State is 3,266, many Panchayats have much less than this population. The size of an organisation by itself generates a certain outlook and if the size is small the outlook tends to be narrow. A Village Panchayat of less than a viable size would find itself in difficulties about resources both human and financial, for achieving the desired development, or even to maintain the development effected, without substantial assistance from the Government. Democratic decentralisation loses much of its meaning and virtue if local bodies have to subsist indefinitely upon Government grants for the discharge of even their primary and obligatory functions. We are in agreement with the view expressed by the Mysore Finance Enquiry Committee and recommend that the minimum population of a Panchayat be 5,000 generally, and 2,500 in the Malnad areas. The Village Panchayat and Taluk Boards Act may be amended accordingly, deleting also the discretion vested in the Government to reduce the minimum population for a Village Panchayat. Now that hereditary village Offices have been abolished and stipendiaries are to be appointed, the latter may be appointed, as far as possible, for a group of villages with a population of 5,000 to make the charge of the stipendiary co-extensive with the jurisdiction of the Panchayat. The stipendiary village officer may then be made *Ex-officio* Panchayat Secretary, whereby the need to create a separate cadre of Panchayat Secretaries is obviated. Considering that there are 7,448 Panchayats in the State, the saving in recurring expenditure by this arrangement will be considerable and run into lakhs of rupees. Since 50 per cent of the cost of the Panchayat staff is borne by the Panchayats, the latter will also be relieved of the burden of recurring cost of establishment.

Salaries and Establishment

3.73. Gazetted Officers in the State form only 2.7 per cent of the total Government personnel. Although the proportion of Gazetted to non-Gazetted staff is very low, yet there is scope for reduction even in the present scale of Gazetted strength in the several Departments of Government. Increase in the number of Gazetted posts is noticeably large in the Public Works Department. We are indicating in the next Section the retrenchment of specific Gazetted posts in the respective Departments of Government. We may refer here to the 'migration' of inservice personnel, particularly from the technical Department of Government, to take up service under other Governments and in private concerns. In most cases it is the more competent and enterprising officers who are leaving the State service, as though by the operation of a Gresham's law in administration. In the name of Central deputation, the State service is continuously drained of senior officers of ability and competence, Sri Gorwala's suggestion to strengthen the State administration by the transfer of a few comparatively senior and capable general administrators has not been considered. The paucity of senior administrative officers is a handicap in raising the standards of State administration. A recent statistical survey shows that 42 per cent of engineers trained in the Engineering Colleges in the State are migrating elsewhere and that the State service is absorbing only 38 per cent of annual production of engineers. A similar thing is happening presumably on the Medical side also. Some means should be devised for State service retaining a larger proportion of technical personnel trained at considerable cost to the State Exchequer in the Engineering, Agriculture, Medical and Veterinary Colleges in the State.

3.74. The total number of subordinate technical and executive personnel is 15,022 and 60,912, or 14.8 per cent and 60.2 per cent of total non-gazetted staff in the State service. They form the hard core of State administration. But in our opinion there is considerable overstaffing in several departments which should be scaled down with reference to a rational work load formula to be evolved for the different category of staff. We anticipate a sizeable reduction in the recurring expenditure by the adoption of proper standards of work for the subordinate technical and executive staffs in the several Government Departments. We have already recommended a workload formula for the clerical grade in the State. A reduction of 20 per cent of expenditure on clerical staff may be secured ultimately by implementing our recommendation. The proportion of I and II Division clerks is not uniform but varies from Department to Department and from one office to another. Under the staffing pattern for the Secretariat recommended by us, there would be no I Division Clerks. For the other Departments and offices in the State, we suggest a uniform ratio of 1 First Division Clerk to 4 Second Division clerks generally, any excess over this being permitted only under special orders of Government. We stress the supervision of clerical work and recommend that the number of Superintendents, Managers and Head Clerks be increased and the entire supervisory grade made promotional. We suggest first that 50 per cent of posts in the Gazetted posts, in the grade of Office Assistants in all Departments and of Under Secretaries to Government in Secretariat, be earmarked for promotion from the grade of Superintendents, Managers and Head Clerks. In regard to Typists and Stenographers, we agree in the Pay Committee recommendation to recruit them in future in the clerical grades with an allowance as in Madras. Senior Stenographers may be provided to only Ministers, Secretaries to Government, High Court Judges. All other officers may be given Stenographers in the junior grade if their work justifies their being provided with Stenographers. In all other cases only typists would do. Class IV servants form nearly 25.8 per cent of the total number of Government employees in the State. The proportion of Class IV to total staff should, in our opinion, be not less than 1 : 10 in any office. The Government.ordered the reduction in the number of peons in all Departments of Government in February 1961. A number of employees in this category have thus already become surplus, but we could not get any information as to the exact number of surplus hands. Home orderlies for all Offiers, except Secretaries to Government, Heads of Departments and Deputy Commissioners, have also been abolished. The Central Government and the Government of Madras have adopted a policy of progressive reduction of Class IV Servants. Our recommendations are (1) that the entire cadre of Class IV servants be made functional with specific duties for each category and designation to suit the nature of work done, such as Messengers, Cycle Orderlies, Watchment, Lascars, Van Cleaners, Maistries, etc., (2) that the number of Class IV Servants to be scaled down ultimately in the proportion of 1 : 10 to the total staff in each Government Department, and (3) that the category of home-orderlies be abolished completely, paying the officers to whom they are still attached a sum of Rs. 30 per mensem for meeting the cost of a personal servant to be engaged by them. In regard to the scale of peons to non-gazetted touring officers, the principle is that only those whose duties are such as to require the services of peons for their proper discharge should be allowed to have peons on the minimum scale. There is quite a large number of non-gazetted touring officers in the several Government Departments. While the need for a peon has to be considered in the circumstances of each case, it may be stated generally that (1) a peon may be attached to a non-gazetted touring officer only in connection with the performance of specific or statutory duties, as for example service of notice, execution of coercive process, or carrying of tappals, medicine chests, survey instruments, etc. and (2) no non-gazetted officer be given more than one peon. In all other cases the peons given should be withdrawn.

3.75. Nearing 23 per cent of sanctioned posts in the State is temporary. The proportion of temoprary posts is particularly high in the Gazetted cadres. This is due to a large number of officers being continued on a temporary tenure for indefinitely long periods. Since temporary staff cannot be expected to work with the same efficiency or devotion to duty as the permanent staff, a general principle has to be laid down for absorbing temoprary hands in the permanent posts and of making temporary posts themselves permanent. We suggest that a temporary post which has continued for more than 5 years in a permanent department and is likely to be continued for a further period, should be made permanent and that any official who has worked continuously for 5 years should be treated as permanent in an existing vacancy or one to arise in future. Now that the conditions of temporary service are approximated to those of permanent service in all respects, there should be no hesitation in making a good proportion of temporary posts and establishments permanent. Against this, however, it must be insisted that posts created for purely temporary purposes are terminated at the end of the period for which they are sanctioned and that no proposals for their continuance for further periods are either made or sanctioned. The practice of Heads of Departments asking for temporary staff for a short period in the first instance is often the thin end of the wedge and leads most often to commitments for the continuance of the staff for indefinite periods. A rigorous scrutiny of proposals for temporary hands and establishments is called for. The position in regard to temporary, work-charged and contingent establishments, particularly in the Public Works and Forest Departments has to be carefully reviewed and surplus staff in these establishments retrenched forthwith. We suggest further that, as a general rule, the proportion of temporary staff to total establishment in any Department be not higher than 5 per cent generally and not higher than 10 per cent in the Public Works Department.

Holidays and Hours of Work

3.76. The number of closed and restricted holidays for the Central Government employees is 16 and 3 respectively in a year. The number of Government holidays varies from State to State. Madras and Andhra Pradesh have 17 holidays each. Kerala has 19, West Bengal 24 and Maharashtra 27. In Mysore the number of closed holidays is 17, apart from 3 restricted holidays and two regional holidays confined to Coorg. U.K. and U.S.A. have 10 and 11 public holidays respectively. It is not the total number of holidays but the number coming together that dislocates work. If closed holidays, taken with Sundays, add up to three days successively, some arrangement has to be thought of to keep the Government offices open at least on one of them, in the interests of public convenience and continuity of Government work. A skeleton staff may be required to attend office on such occasions, giving them a compensatory holiday to be availed of later at their option. We do not propose any reduction in the number of closed holidays in the State as it is almost on a par with that in the neighbouring States. The present limit of casual leave for State employees is 12 days in the year, as in the Centre and in other States. We are opposed to the move to raise the limit to 15 days in the year.

3.77. The Central Pay Committee's opinion regarding the hours of work in Government offices is that they are on the low side and that an increase is justified. The working hours in State Government offices at present are from 10-30 A.M. to 5-30 P.M., with a half-hour interval. The net working time of 6½ hours a day is long enough and does not, in our opinion, call for any increase. But general impression amounting, almost to public grievance, is that the officials are not punctual in attendance, and do not remain in their places or devote their time and attention to their work during working hours. A stricter insistance on regularity in attendance and a more effective check over unauthorised absences of Government employees, on the part of supervisory and gazetted officers, is called for.

3.78. Efficiency of the governmental organisation is to a great extent dependent on the proper handling service questions, such as recruitment, transfer, promotion, retirement, which affect all Government employees. A good deal of the public time and energy of officers and staff in Government offices is now spent in dealing with those matters which could be greatly minimised by the adoption of simpler and more rational procedures in disposing of them. Our recommendations in regard to this are indicated broadly, as follows :—

(i) *Recruitment.*

After the regionalisation of Class III appointments recently ordered by the Government, the scope of recruitment by the Public Service Commission is restricted to the Class I and II cadres only. We lay particular emphasis, in the selection of candidates for Class I and II posts upon the general ability and capacity of the candidate to accept responsibility and take prompt and correct decision. In filling up the higher technical posts in the Engineering, Industries, Medical, Public Health, Education and other technical departments, it is suggested that, instead of individual vacancies being advertised and applications being called for each time, applications may be called in advance for the estimated number of each category of such posts to be filled up during the coming year. A list of selected persons may be made available to the Heads of Departments concerned and the latter allowed to appoint persons from the list in the order of preference. There are cases of appointments of specialists and techhnical experts in the Government Industrial concerns and Technical Departments where their services are needed on a temporary basis or for specific periods. Except appointments under contract, all other appointments to technical posts of more than three years come within the purview of Public Service Commission. Since the recruitments through P.S.C. takes a long time, the category of higher technical posts of specialists and experts may be listed and kept out of the purview of P.S.C., the appointments of these posts being made direct by the Heads of Departments concerned or by *ad hoc* Committee at the Secretariat level. Among Class III posts a classification of the same according to State, Regional or District cadres, has been made and recruitment to these cadres entrusted to the respective Selection Committees. Qualifications for each class of appointments should not be higher than the minimum required, and so far as possible, persons with prescribed qualifications, and not higher, may be recruited, since appointment of persons with higher qualification may give rise later to demands for higher scales of pay. As we have already recommended, recruitment should be by means of open competetive examination followed by personal interview and screening by Official Committees. Recruits should upon appointment be treated as on probation and given stipend and not pay, during the period of probation. Direct recruits to Gazetted as well as non-gazetted cadres should be given combined institutional and practical training and absorbed upon their passing the prescribed tests. Recruits who do not pass the tests within the period of probation and the grace time allowed, should be thrown out. We have suggested the setting up of training institutions for recruits to non-gazetted cadres in each District and of a Central Training Institute at Bangalore for training recruits to Gazetted cadres. The suggestion may be implemented and all inservice personnel with less than 5 years service be required to undergo training in the respective institutes. All untrained teachers should be required to undergo training according to a phased programme to be arranged, so that they get trained within a period of five years. To ensure that no untrained teachers are posted to schools in future, we suggest that the required number of teachers be recruited one year ahead in a batch and put into training institutions as soon as they are recruited. The process may be repeated for a few years until a sufficient number of teachers becomes available. The extra expenditure on this account need not be gruged considering that this is the only practicable method of solving the problem of untrained teachers in the Education Department.

(ii) *Transfers*

Want of a rational transfer policy is responsible for much avoidable expenditure and dislocation of work in Government departments. Frequent transfers of clerks and subordinate officials are among the causes of low official morale. But this is not confined to low-paid staffs alone. We were astonished to be told during our recent visit to Karwar that, in the last 14 years since Independence, there were 18 postings of the Deputy Commissioners to that District, and that of them, one held the post for just 11 days. On the other hand the Secretariat officials, and those working in the allied offices and the Offices of Heads of Departments at Bangalore are generally immune from transfer which has its psychological effect also. Transfer of Government employees is necessary in public interest. But its frequency as well as its geographical range should be regulated with due regard to continuity of work in government offices on the one hand and convenience of the officials concerned on the other. The existing rule is that an officer should normally be transferred after three years of service at particular post. We do not suggest a change in the rule but only that the rule be strictly followed and impartially applied in all cases. The only modification we propose is that technical personnel posted for special work, particularly in the Industries Department, should not be disturbed for a period of 5 years or till the special work, if any, on which they are engaged is completed or reaches a definite stage. This applies to supervisory personnel in the P.W.D. posted to projects. In the case of officers of the General Administrative cadre posted to the Secretariat, the duration should normally be four years. The period of deputation of all Government employees, including gazetted officers, should be fixed in advance and may be 4 years generally, and 5 years in the case deputation to industrial concerns. While Officers borne in the State cadres are liable to transfer throughout the State, the transfer of officials of the grade of Tahsildar and below should, we consider, be confined as far as possible to the administrative Division. Transfers of officials below the grade of Tahsildars, or equivalent post in other government departments, should be restricted to the District. Transfers and postings should be governed solely by public needs and cause minimum disturbance among the staff already in position. Mid-year transfer should be exceptional rather than the rule. General transfers of officials and officers in all departments should be planned in advance and orders of transfer intimated in time at least a month ahead, to avoid dislocation of work in the offices and hardship to the officials, concerned. Transfers should be made generally at a particular time of the year to suit the circumstances of work in each department and as far as possible to synchronise with the commencement of the educational year. In the case of gazetted officers, advance intimation of at least 3 months may be given of the transferees and some indication of the post or the Department to which they are to be transferred given. One undesirable feature, which is a source of much hardship and annoyance to the officials concerned, and of considerable dislocation of government work, is the frequent cancellation of transfer orders on personal representation. Transfers should, we feel, be made after due consideration and once an order of transfer is passed in public interest, it should under no circumstances be changed. We must refer in particular to the tendency for officers and officials to stick to Bangalore and avoid postings to moffusal places in general and to Malnad areas in particular. Similarly there is a noticeable allergy on the part of government employees to work in project areas. A firm attitude is called for in securing immediate compliance with transfer orders. Attempts to bring influence and pressure to bear on the authorities for cancellation of transfers should be resisted and dealt with as breach of official discipline. All official authorities ordering transfers should, we feel, be required to report to the Government any instance of cancellation of transfer made by them with full reasons for doing so.

(iii) *Promotions*

The Pay Committee has already made a number of appropriate recommendations for improving the promotional prospects of government employees in the subordinate grades. Promotions with in the clerical grade may normally be made on the principle of seniority. But promotion from the clerical grade to the grade of Superintendents, Managers or Head Clerks must be subject to the official passing a stiff written examination up to the standard of the S.A.S. Examination in the Audit Department. Merit and not seniority alone, should be the criterion for promotion to the Gazetted grade. Every Department of government should prepare and maintain Eligibility lists on the basis of which promotions are made in the order indicated. Promotion from non-gazetted to lowest gazetted cadre in each department may be made by the Head of the Department on the basis of Eligibility lists previously approved by the Government. Crossing efficiency bars in the clerical grades should be made subject to passing a test. In view of rapid changes in administrative outlook and tempo of government work, we find it necessary to propose refresher courses for officials of all grades up to the Gazetted level. Refresher courses may be of short duration—not exceeding 3 months, which should be arranged for during the slack season by Heads of Departments either at Bangalore or at the regional headquarters. The officials should undergo the course in batches and the period of refresher course should be treated as duty. State Gazetted officers also require a refresher course before they get promoted to the senior duty scale. A six-months refresher course may be arranged every year to officers in batches in the Central Training Institute at Bangalore which we have proposed may be set up. The pay and promotional prospects under the service rules are naturally the best incentives for good work. An officer or official, who does not make the grade after reasonable chances given to him, has no place in the service. He may be down-graded if he is found below the mark. If he is nearing the age of retirement or has put in more than 20 years of service, he may be retired compulsorily. On the other hand a hard-working, honest and competent officer and official should be rewarded by being given (1) advance increments, (2) accelarated promotion to the higher grade in preference to others. The existing service rules may be amended for giving accelarated promotion. It is most important, for making an objective and reliable assessment of the worth and work of every official, to keep a correct and continuous record of his official performance. Confidential reports by superior officers are often in the nature of opinions of a subjective kind and afford no proper basis for the assessment of the work and conduct of the official reported upon. In Government employment the emphasis at present is more upon punishment of mistakes committed rather than on appreciation of good work done. The present method of making entries in the Service Registers and drawing up of confidential reports being unsatisfactory, it may be replaced by quarterly appraisal of the work of each Government employee on what is known as the ABC system. Under this system A, B and C remarks are made to earn (1) double increment for 4 remarks in a year, if all of them are A, (ii) one and half increment for 3 As and 1B, (iii) normal increment for 2 As and 2Bs and (iv) half the increment for less than 2 Bs. Increments to those with only Cs are withheld and if the bad performance continues for two consequtive years, the official becomes liable to discharge. But consistent repetitions of 3 As. must, however, qualify an official for rapid promotion and 4 As for jumps. We recomend that the system be introduced and tried out in the Secretariat to start with, and extended to other Government Offices in the State in the light of experience gained.

(iv) *Leave*

Leave Rules for Government employees have been liberalised and are stated to have been simplified. Nevertheless the rules appear to be still very complex and elaborate and the regulation of leave allowances is responsible for considerable increase of paper work at all administrative levels. We would advise a further simplification of rules and the method of calculating leave allowances. The calculation of average and half average salaries is causing needless trouble and effort, and it is for consideration if leave salary may not simply be made equal to pay drawn immediately prior to the official proceeding on leave. In regard to title for leave of Gazetted Officers, the present procedure of the Accountant-General certifying to the leave at credit may be changed and the Heads of Departments or the Chief Secretary made to maintain the leave accounts of Gazetted Officers, subject to audit by the Accountant-General. We understand further that there is no system of Leave Reserves in the Government offices at present. In the interests of efficiency in work, Leave Reserves are necessary. We recommend the creation of Leave Reserves up to 5 per cent of the permanent staff in each office. Leave Reservists should be trained as alrounders and utilised, when not required to work as substitutes, for the performance of special tasks.

(v) *Retirement*

The age of superannuation in the State is 55 years. We agree in the Pay Committee's recommendation to retain the existing age limit for superannuation generally. In the case of Departments like the P.W.D., Medical, Public Health and Education, superannuated officials may be re-employed up to the limit of 60 years of age, subject to fitness, and so long as the deficiency in the technical personnel in those Departments continues. Re-employment of suitable retired officers and officials is preferable generally to the automatic raising of the age of superannuation. We have already suggested the compulsory retirement of inefficient personnel. There are about 25,000 pensioners in the State of whom 20,000 are drawing pension of less than Rs. 100 per mensem. The Government's pension bill is now Rs. 1.7 crores. It would be a good idea to have a roll of able-bodied pensioners who are willing to do some service and to utilise their services for several plan schemes and Governmental duties which do not require whole-time officials.

(vi) *Travelling Allowance*

3.79. Expenditure on T. A. during 1960-61 was Rs. 138.10 lakhs, *i.e.*, nearly equal to the whole of the expenditure on the pay of Officers. A large part of it is incurred at the top levels of administration. Travelling allowances are payable mainly for journeys performed by Government employees, (1) on transfer, and (2) for official tours. In regard to the former, our proposals for regulating and reducing the frequency of transfers of officials may be expected to cut down the expenditure on this item. Expenditure on travelling allowances for official journeys has been rising from year to year. The basic principle of T.A. is that it should not on the whole become a source of profit. But judging by the alacrity with which some Government officers take up tours and avail of every opportunity to proceed on long tours, official travelling sometimes is not always so regulated as to conform strictly to the above principle. The merger of dearness allowance with pay entitles the non-gazetted officers now to higher rates of travelling allowance, which will add to expenditure under Travelling Allowances. The prevailing opinion is that with rising costs, the rates of travelling allowances now given are low and should be increased. We do not share this view. Although we propose no general reduction in the existing rates of travelling allowances, there is, we feel scope for reducing the rates of incidental charges on railway fares for journeys over a hundred miles. This may be examined. We have suggested that the practice of officers taking peons and clerical staffs with them on tours should be stopped. The enforcement of this prohibition will reduce expenditure on travelling allowances considerably and improve the quality of inspections by Gazetted Officers also. Our further suggestions for reducing the expenditure on travelling allowances are as follows:—

(1) Not more than one officer from each Department may be permitted to attend Conferences, Seminars, and meetings of All-India Committees, outside the State.

(2) The Officer attendnig Meetings and Conferences outside the State should not be permitted to take an Assistant, Stenographer or Peon with him.

(3) The number of occasions on which Secretaries to Government, Heads of Departments may go to Delhi should be strictly limited. Ordinarily it is unnecessary for them to accompany the Ministers.

A good deal of avoidable expenditure on T.A. is due to unplanned touring by officers and too frequent touring by them without commensurate results. The difficulty of officers seem to be that they are required to accompany the Ministers, Deputy Ministers and distinguished visitors during the latter's tour in their jurisdictions. To the cost on account of T.A. to the Ministers and Deputy Ministers and their establishment, is added ten times the expenditure upon T.A. payable to a host of officers and staff who accompany them. A considerable saving in expenditure on T.A. can be secured by a system of planned touring by Government Officers.

A ceiling should be imposed on the touring days in a month that an officer may remain on tour out of his headquarters. This is necessary not only on grounds of economy but also in the interests of proper distribution of the public time of an officer between office work and itineration. The public complaint is that Heads of Departments and Deputy Commissioners are absent from headquarters and not available for the great part of the month in their offices. Heads of Departments and District Officers should be required to be at headquarters and attend office regularly for at least 15 days in a month. They should plan out their tours in advance during the coming quarter and space out their touring to avoid long absences from headquarters or too frequent return thereto. The quarterly tour programme of a State or District Officer should keep up due proportion between office days and days on touring, so that during the quarter as a whole he spends not more than 30—35 days on regular tour, with a sufficient margin for emergencies and surprise visits, and attends office on the remaining days. His movements will thus be known in advance to the Government on the one side and the public on the other and the latter need not feel disappointed or inconvenienced by the absence of officers on tour. We suggest as a general rule that the T.A. of no Government officer in a month, for journeys performed outside the State, should exceed (1) Rs. 300 per mensem in the case of Officers at the State level, (2) Rs. 200 per mensem in the case of others. The special concession given to Private Secretaries and Personal Assistants to Ministers and Deputy Ministers, when accompanying the latter on tour, of travelling in higher class may be discontinued, as such a concession is not in vogue elsewhere. In our opinion a 20 per cent cut in the present allotment under T.A. is feasible and should be enforced. We accordingly recommend that the provision under T.A. to each Government Department be reduced, with strict instructions to the Heads of Deparments that the same should under no circumstances be exceeded. We suggest further that a financial limit be imposed on the amount of T.A. payable to officers in a month. Previously such monthly *maxima* had been prescribed and were enforced.

(viii) *Allowances*

3.80. Government is spending Rs. 59 lakhs a year on allowances to officers. Compensatory-*cum*-House Rent Allowance to Government employees drawing less than Rs. 300 pay per mensem, given on the recommendation of the Pay Committees, involves additional cost of Rs. 45 lakhs a year. We understand that a Committee for Rationalisation of Allowances is reviewing the existing allowances. In view of the recent revision of scales of pay and grant of liberal retirement and other service benefits for all categories of Government employees, the need for giving allowances, in addition to pay, requires to be carefully examined. The more important allowances given to Government servants are: (1) Special pay, duty or deputation allowance, (2) Conveyance allowance, and (3) Project allowance.

(i) *Special Pay, Deputation and Duty Allowances.*—The first category of allowances are given in consideration of additional responsibility or specially arduous nature of the work done. The general principle governing Special Pay is that it may be granted where a higher scale would be justified on account of additional work, responsibility or arduous nature of duties, but where the grant of such higher scale of pay is for administrative and other reasons found inconvenient to be given. A special pay is also to be attached to posts calling for additional responsibility and work, the pay of which has not been fixed. It is also given on account of unhealthiness of the locality in which the work is to be performed. In our opinion the question whether substantially heavier or specially arduous work is involved in a particular post should be decided at the time of creating the post itself, instead of leaving the matter to be considered at a later stage. Normally no officer should be entitled to Special pay merely because of his being posted from one Department to another or to serve under a Local Body. It is only when the nature of work to be done in a post is basically different and more arduous that the grant of special pay arises. In the light of the above consideration, orders of Government relating to Allowances passed in February 1961 call for certain modifications and we make the following recommendations accordingly.

(1) Special pay now given for un-healthiness of locality may be continued.

(2) In the case of posts like Under Secretaries, Deputy Secretaries to Government, Private Secretaries and Personal Assistants to Ministers, Deputy Ministers and Secretaries to Government, in whose cases special scales of pay would be justified in view of the arduous and responsible nature of work, the system of granting special pay now in force may be continued. It has to be noted that special pay in the case of Deputy Secretaries to Government would be justified since the same is allowed in the case of I.A.S. Officers working as such in the Secretariat.

(3) In the case of Headquarter Assistants to Head of Departments and Technical Officers in charge of Research, Designs, etc., where the duties of an arduous and exacting nature, special pay may be given.

(4) (i) In the case of deputations to foreign service, special pay may be given only for services under Municipal Corporations, Major Municipalities and Central Co-operative and Marketing Societies, etc., subject to the finances of the latter being sufficient to meet the charges.

(ii) Services under Taluk Boards and Village Panchayats should not be considered as foreign service. An amendment to the Service Rules may be made accordingly, since the Local Bodies are not in a position to bear additional expenditure.

(iii) For deputation under non-Government Commercial concerns and Government Corporations, a special pay of 20 per cent subject to a maximum of Rs. 100 per mensem may be given.

(iv) Special pay which is granted in all cases prior to February 1961 has, however, to be protected and continued up to 1st April 1962, after which they may be regulated in accordance with the recommendations made above.

We should however refer to the general principles laid down by the Central Pay Commission, namely (1) that all cases of Special pay in Government Departments should have a maximum currency of three years only and that thereafter they should come under review of Government in the Finance Department, unless the allowances themselves cease earlier; (2) that special pay to be attached to post under Government may invariably be on a fixed basis and not on percentage basis; and (3) that an officer already drawing one special pay should not under any circumstances be granted another, even though additional duties are attached to him.

Our recommendations in regard to deputation allowance in other cases are as follows:—

(1) For deputation to Government of India Departments, Special Pay at the rate of 20 per cent may be continued, as at present.

(2) Deputations to Government commercial undertakings, where the officer is selected on the ground of special ability, deputation allowance of 10 per cent may be given.

In the following cases of deputation, no special pay, duty or deputation allowance should be granted.

(1) When a Government servant is deputed from one department to another or to the Secretariat.

(2) When an officer doing executive work is posted at Headquarters, except where these charges involve duties of a specially arduous and exacting nature.

For Deputation to Committees involving arduous and responsible work, deputation allowance at 10 per cent may be given.

(ii) *Conveyance Allowances.*—There is no uniformity at present in the rates of conveyance allowance given in the several departments of Government. Conveyance allowance is given to a Government servant when he has a large amount of travelling at or within a short radius of his headquarters for which no T.A. is admissible. The amount of allowance has necessarily to vary according to the intensity of touring in each case. The Central Pay Commission has observed as follows in this behalf:—

> "The rates of conveyance allowance should be reviewed in order that unjustified difference in the rates applicable to different classes of employees may be removed and the rates revised so as to bring them in line with present day transport cost. Generally speaking, the rates do not take the present conditions into account as is evident from the fact that a cut (12½ to 20 per cent) made as a part of the economy drive in 1931 continues to be expressly applied even to allowances sanctioned now".

Conveyance allowance granted by the Government of India are governed by the following principles:—

1. No conveyance allowance is given unless the average monthly running on duty is more than 200 kilometers. Journeys between residence and normal place of work is not reckoned as running on official duty.

2. Journeys performed by foot or on bicycle will not qualify for the grant of conveyance allowance.

3. Motor car allowance is not allowed to persons whose pay is less than Rs. 450 per mensem. This condition is relaxed with the prior concurrence of the Finance Ministry in special cases. such as doctors employed under the Contributory Health Service Scheme.

4. No conveyance allowance is given during joining time, leave and any kind of temporary transfer.

5. No conveyance allowance is given during any period of more than 15 days at a time during which a Government servant in receipt of a car allowance does not maintain a motor car, or the motor car maintained by him remains out of order or is not used by him. The drawal of car allowance is however subject to a Government servant owning and maintaining a motor car in good running condition and using it for official journeys for which the allowance is granted.

6. The conveyance allowance will cover all journeys by road on official duty within the local jurisdiction of a Government servant for which no travelling allowance is admissible, irrespective of whether the points of duty reached lie within or beyond a radius of 8 kilometers from his usual place of work.

For the initial fixation of allowance under the above rules a Government servant claiming allowance is required to maintain a log book of journeys on duty qualifying for the grant of allowance for a minimum period of 3 months. The Controlling Officer is expected to scrutinise the log book as frequently as possible during that period. With reference to the data collected from all such entries the allowance is fixed. A certificate that the conditions which determine the rate of conveyance allowance continue unchanged has to be furnished by the Controlling Officer in the pay bills of the Government servants concerned quarterly. The conveyance allowance fixed under the above rules will hold good for a period of 2 years at a time and its continuance shall be reviewed at the end of each such period. The review will be made again by means of log book referred to above. The conveyance allowance now drawn by Officers under the Government of India are all required to be reviewed with reference to the procedure referred to above ”.

We are of the opinion that the above principles are suitable and recommend that they may be adopted in the State for determining the C.A. to be attached to specific posts in the several Departments of Government.

(iii) *Project Allowances.*—Payment of Project allowances is made for services rendered in out-of-the-way places and under difficult conditions of living and work. Government have passed orders in August 1961 rationalising the Project Allowance applicable to different projects in the State, with reference to the factor of inconvenience undergone and special conditions of work in the projects. We have perused the order of Government and consider that the rates of allowance granted and the terms of the grant are suitable and call for no change.

(iv) *Cash Allowance.*—Cash allowance is given in some of the Departments for looking after work relating to the disbursement of pay, allowances, etc. There have been requests for extending the allowance to other offices on the ground that some cash work is done in every office. In our opinion, disbursement of pay, T.A., etc., is part of normal work and does not call for an allowance. Cash allowance is justified only where the establishment of the office is of such a magnitude that the handling of cash and its accountal is a regular feature of its work and in offices where revenue receipts or disbursements are conducted also. It is risky to entrust a single official with cash transactions on large scale where such transactions are heavy. However the official who is entrusted with the work may be given a cash allowance, subject to the furnishing of proper security and the amount of allowance should have relation to the volume of transactions but should in no case exceed Rs. 20 per mensem.

(v) *Water Allowance.*—Water allowance was being given by the Government of Bombay formerly, and the same is being continued in Belgaum Division for a maximum period of four months, subject to a certificate by the Deputy Commissioner about the prevalence of scarcity conditions. Due to continued recurrence of scarcity conditions, the allowance is being continued from year to year under the orders of Government. With a view to regulate the grant of this allowance in future, we suggest that the allowance be given subject to the following conditions:—

(*a*) The unit of area for purpose of allowance shall be a town or Taluka headquarters.

(*b*) Maximum duration of the allowance should be 4 months only in a year.

(*c*) The position with regard to water supply must be really acute and failure of rains so abnormal as to necessitate carrying water for daily requirements from long distances.

(*d*) Government servants are actually put to the necessity of paying for water required by them.

(*e*) Scarcity conditions as in (*c*) and (*d*) above should be certified to by the Deputy Commissioner concerned. The rates of allowances should not exceed in any case Rupees 6 per mensem for Class III servants drawing Rs. 300 and less, and Rs. 4 per mensem for Class IV servants.

Non-practising allowance.—Non-practising allowances are now given to Deans of Medical Colleges in the State. Recently the grant of this allowance has been extended to one of the Major Hospitals in the State. We have considered the question of allowing private practice by doctors in Government Hospitals elsewhere and come to the conclusion that private practice by Deans, Professors and Doctors in Government Hospitals, should be prohibited. The logical corollary of the total prohibition of private practice by doctors is to give them a suitable higher scale of salary. The Pay Committee has already considered this aspect and recommended better scales of pay not only for doctors but for engineers and officers of other Technical Departments. At the same time, the Pay Committee has proposed an allowance of 25 per cent salary as N.P.A. to Deans in the Colleges and Medical Officers, the maximum and minimum of which is Rs. 200 and Rs. 75 per mensem respectively. In our opinion a slightly higher maximum rate of N.P.A. is necessary by way of adequate compensation for loss of private practice by senior members of the Medical Service. Accordingly while the minimum of Rs. 75 proposed by the Committee as N.P.A. may stand, the maximum may be raised to Rs. 300 per mensem. Doctors in the Public Health Department stand on quite a different footing. Generally the question of private practice does not arise in their case. But N.P.A. as recommended above should also be applicable to the Doctors working in Dispensaries and Hospitals of the Health Departments, provided they do not draw the rural allowance now paid to them. N.P.A. should, however, not be given to doctors holding administrative charges in the Health Department.

Contingencies

3.81. More than a sum of Rs. 1.84 crores was spent by Government under contingencies during 1960-61. The expenditure is particularly heavy under General Administration and in the Departments of Education, Police, Medical, Public Health and Agriculture. Expenditure on contingencies in the Secretariat itself is as much as Rs. 4½ lakhs a year. There is no yardstick by which the reasonableness of expenditure of contingent nature can be judged. Some part of increase in expenditure is no doubt due to high prices but we are definitely of the view that there is a good deal of unnecessary and wasteful expenditure on contingencies in all Government Departments. Expenditure on telegram charges is heavy and is on the increase in almost all offices of Government. In the Secretariat alone a sum of Rs. 84,000 is being spent on postage. It has been suggested that the use of Inland Letters in official correspondence, in place of official covers, will result in considerable reduction of expenditure on postage. Some economy can be effected if all correspondence addressed to the same office on a particular day is sent in a single cover, instead of using separate covers for each reference. The existing rule is that where an endorsement is expected by a petitioner, he should affix the necessary postage stamp. We are not sure if this rule is being strictly enforced. While every citizen is entitled to receive a reply in response to his petition or letter addressed to a Government authority, the postage charges in this behalf should be borne by him and not by the State. By enforcing the existing rule strictly, considerable economy may be secured. Expenditure on telephones and trunk calls has been greatly on the increase. Occasions for making a trunk call should be few and only in cases of urgency and proved necessity. The expenditure on this item is liable to exceed reasonable limits in the absence of proper check over it. The system of inter-departmental communication has been introduced in the Secretariat. But we feel that it is not being effectively used in promoting efficiency and reducing scriptory work. Clear instructions in this behalf should be issued and enforced. The extension of the system to other bigger offices at Bangalore may be considered in view of expected economies in the long run. Normally the ordinary time-limit of the trunk call should not be exceeded and communications should be brief and to the point on the analogy of a telegram. Continuation of the call beyond the initial time-limit should invariably be accompanied by an explanation of the necessity therefor. Such instances should be reviewed by a proper authority in each Department and office, and expenditure unnecessarily incurred surcharged from the persons concerned. Incidentally, it is seen that telephones are installed at the residences of Government Officials without sufficient justification or need. We consider that residential telephones at Government expense should be limited to Ministers, Speaker and Chairman, Legislature Secretary, Secretaries to Government, Heads of Departments, Divisional Commissioners, Deputy Commissioners of Districts and to officers in the Emergency Departments engaged in emergent and essential duties. In the case of all other officers, residential telephones are unnecessary and should be withdrawn. We must refer here to increase in expenditure in Government offices under what is called ' conspicuous consumption ', involving an element of luxury. The broad items coming under this category are high-priced cars, upholstered furniture, pile carpets, costly varieties of clocks, radios, cameras and luxurious type of stationery, etc. Expenditure of this nature by the Government is not in keeping with the democratic spirit and public expectation of austerity. There is further a strong undercurrent of public disapproval of dinners, banquets and public entertainments, arranged on a lavish scale under Government auspices in honour of visiting dignitaries and V.I.P's. Conferences and Seminars are being held too frequently, and have, as some one said, become ' Jathras '. Considerable amount of unnecessary expenditure is being incurred for providing lunches, dinners, etc., at conferences and seminars. Providing lunch at heavy cost, even in meetings of official committees and semi-official bodies, has become the order of the day. In all these cases, if lunch is to be provided, it should be on a minimum scale and that too when the Committees have to sit for long hours. Considerable expenditure is now being incurred on purely formal functions like, laying foundation stones or performing opening ceremonies. Such functions have become all too common and are on the increase. In our opinion no expenditure from public funds should be incurred on purely formal and ceremonial functions of this nature. The items of expenditure that we have referred to above are only illustrative and not exhaustive. Expenditure on this and similar items, and the scale of amenities provided to the Ministers and Deputy Ministers and Speaker, and Chairman of the Legislature, Members of the Legislature, should, we feel be austerity scales so as to set up a healthy example for the entire administration to follow. There is also some avoidable expenditure in the Secretariat and offices of the Legislature in hiring out furniture for special occasions. Since hire charges are usually high, hiring out of furniture should be regulated and limited only to the occasions approved by Government. Where special occasions involving hiring become too frequent, the alternative of purchasing the equipment required may be considered where the same would be cheaper than hiring it out. We recommend that the provision under contingencies made to the Departments of Government be reduced by 20 per cent as a permanent measure of economy, the Heads of Departments being directed to restrict the expenditure to the reduced allotment without exceeding it under any circumstances.

Official Privileges and Concessions

3.82. Apart from service benefits conferred on all Government employees generally, officials in particular departments are in enjoyment of certain special concessions or privileges, as for example free housing accommodation, free water supply, travelling facilities at Government cost, etc. The concession of free education up to Secondary Standard has been extended to children of employees with annual income upto Rs. 1,200. Government employees have also been granted a house-rent-*cum*-compensatory allowance under the recent orders of Government revising pay scales. Since the grant of special concessions to particular officers or class of officials is not justified, existing concessions and privileges in particular departments may be reviewed and such of them as are not connected with the discharge of official functions and necessary in public interest be withdrawn.

Government Vehicles.

3.83. According to the Official Committee appointed during 1950 to review the position regarding Government vehicles in the several Departments, there were 752 Motor Vehicles in use in 1957 in the several Departments, including projects and Community Development and National Extension Service Blocks. The Department of Public Health had the highest number of Government Vehicles (including gift vehicles), *viz.*, 217 and the

Planning Department came next with 194 vehicles. Among the projects, Tungabhadra and Ghataprabha together had 38 vehicles. The average cost of maintenance of a vehicle has been calculated at Rs. 600 per mensem. At this rate the expenditure on vehicles with the Departments adds up to a considerable amount. A good number of vehicles have been given to officers for touring purposes. In the past touring officers owned their own vehicles. Latterly in many Departments the practice of providing Government vehicles to touring officers has come into vogue. If it is the policy of Government that touring Officers should be given Government conveyances, all touring officers would be entitled to this privilege. But as it is, only few among them in certain Departments have been given this facility. The only reason why touring officers are provided with Government conveyances seems to be that the cost of motor vehicles has gone up very high and that majority of officers, whose pay is less than 1,000 or 1,200 per mensem, are not in position to purchase or maintain vehicles for touring. We have considered the matter from all points of view, and it is our considered opinion that it is not necessary to provide touring officers with Government conveyances. On the other hand they should be encouraged to own and maintain their own vehicles. Normally officers drawing a pay of less than Rs. 500 per mensem should not be required to maintain a motor vehicle. In the case of touring officers drawing a pay of more than Rs. 500, the terms of motor car advance may be liberalised, the rate of interest on the advance reduced by way of encouragement to them to purchase and own their vehicles. We suggest that the rate of interest on Motor Car Advance may not exceed 4 per cent. Normally officers drawing a pay of less than Rs. 500 should be required to use public conveyances for tours. Such officers who have intensive touring work to do, and are desirous of owning fast-moving vehicles, may be helped by grant of suitable advance to go in for motor bicycles or scooters at a concessional rate of interest of 3 per cent. In the case of touring officers the rates of T.A. should be such as to cover the reasonable cost of transport under present conditions. The present rates of T.A. may be reviewed and the maximum rate of road mileage fixed at 0-50 nP. per mile, without reduction in the rate for the first 100 miles of the journey. In the light of our recommendation above, Government vehicles given to officers for touring may be withdrawn fixing a time-limit for the same within which the officers concerned may be expected to provide themselves with their own conveyances. When the vehicles are withdrawn they may be disposed of on the most advantageous terms or allotted to officers who may wish to retain them, treating the price as recoverable advance. But a limited number of vehicles which are in working order may be retained and brought into a general-purpose pool, and placed under the control of a central authority in the State and made available for official use on payment. The only exception would be in the case of emergency Departments like Police, Medical, etc., where vehicles kept for emergent work may be allowed to be used by officers in connection with emergent duties. But these officers should use their own vehicles for normal touring. In the case of major projects as well as in the P.W.D. also, officers need not be provided with Government jeep or conveyances for touring. It would be enough if a minimum number of vehicles, such as Jeeps, is provided to each Major project for the use of Technical Committees or high dignitaries visiting the project. These vehicles should be under the control of the chief project authority and not be allowed to be used by project officers for regular work. In the case of Government Industrial concerns also, officers need not be provided with Government conveyance for normal official work, but a staff car or two may be maintained for the use of high dignitaries or Technical teams that may visit the concerns, In regard to trucks and other vehicles maintained for the departmental use in the P.W.D., Public Health, Police and other Departments, a stricter control over their running and maintenance charges is necessary and should be secured. We feel that the number of vehicles in departments like Public Health is very large. Most of them are in the nature of ' gift vehicles, given in connection with specific schemes like National Malaria Control, etc. The problem in connection with these vehicles is their economical maintenance and use for the specific purpose for which they are given. In this matter the Head of Departments should exercise proper control and supervision and see that the maintenance costs are kept as low as possible. The main item of expenditure is the cost of repairs. At present repairs of Government vehicles in the various places are being done in private workshops and very heavy expenditure is being incurred in this behalf. We have suggested that the Central Industrial Workshop at Bangalore may be reorganised as the Central Repair and Reconditioning Workshop for all Government vehicles. While the Central Workshop may take up heavy repairs and reconditioning, minor repairs may be done within the respective districts. For this purpose we suggest that the Service Stations maintained by the Road Transport Corporation may be used on payment of the charges to be fixed by the Corporation.

Conferences and Meetings

3.84. The number of Conferences and Committees have of late been on the increase. From work studies made it seems that meetings take up 40 per cent of the working time of the senior and middle level officers. Many of the Heads of Departments are either Chairman of or members of several Committees and are required to attend conferences, meeting both in the State as well as outside. The expenditure on T.A. and Contingencies incurred in connection with these meetings and conference is also particularly heavy and sometimes disproportionately large compared to the results achieved. We suggest that a definite policy in regard to holding of Conferences and meetings and to regulate the attendance of different categories of officers in them should be laid down in the interests, firstly of minimising the official time now spent by Government officers and secondly of restricting the expenditure on travelling allowances and Contingencies. The time spent in conferences may be reduced by concentrating upon specific subjects to be discussed and having all the relevant data carefully collected and circulated beforehand. Of late a practice has come up of summoning officers in the moffusal to Bangalore for *ad hoc* meetings and discussions. While summoning officers to State headquarters may be necessary in emergencies, it should not be necessary to get the officers from far off places to Bangalore in the normal course of work as is done often now. Instead of the officers being made to move, it is the papers that must be moved.

Boards and Committees.

3.85. The Government has constituted a number of Boards and Committees, some of which are statutory, like the City Improvement Trust Board, Housing Board, State Industrial Finance Corporation. A large number of Boards and Committees are of *ad hoc* nature and have only advisory functions. The Chairman of these Boards and Committees are in receipt of House-Rent and Conveyance Allowances and are also given office staff. Committees constituted for *ad hoc* purposes should complete their work within the allotted time and be wound up promptly. Their indefinite continuance will not only delay the objects to be achieved but result in further expenditure. We suggest that the necessity for the continuance of *ad hoc* Committees and Boards, such as the Small Scale Industries Board, Handicrafts Board, Coir Board, Board for Education of Girls and Women, Handloom Advisory Board, etc., should be examined by Government and only such of them as are doing specific items of work be continued for definite periods after which they should be abolished. We may refer in this connection to large amount of recurring grants that are being given for the development of Khadi and Village Industries. A Khadi and Village Industries Board has been set up in the State and is functioning with grants by the Central Khadi Board, and by the State Government for meeting the cost of establishment. A strong public feeling exists in the State that there is considerable wastage and misuse of these grants. Although the audit of grants given to the Khadi and Village Industries Board is entrusted to the Accountant-General, there is no performance audit with reference to actual results achieved and work done. The existing procedure for the payment and accountal of grants does not ensure that the amounts given are used for the purpose for which they are given. We feel that there should be a Central Controlling authority at the State level for watching the expenditure and proper accountal of State grants. The Finance Department should, in our opinion, be entrusted with this responsibility.

SECTION (3)—SPECIFIC ECONOMIES IN THE SECRETARIAT AND OTHER DEPARTMENTS.

3.86. We have so far been generalising. Generalisation is necessary but has to be rounded off by concrete proposals for reducing surplus staff and avoiding wasteful expenditure in each Department. In this Section we will be making a detailed examination of expenditures and staffing patterns in the several Government Departments, starting with the Secretariat.

(1) SECRETARIAT.

3.87. The Secretariat has a total official strength of 2,139, made up of 102 Gazetted Officers, and 2,037 non-Gazetted employees, as detailed below :—

Gazetted	*No.*
Secretaries	12
Additional Secretaries	4
Deputy Secretaries	18
Under Secretaries	56
Private Secretaries to Ministers	3
Officers on special duty	9
Total ..	102

Non-Gazetted	*No.*
Superintendents	106
Assistants	535
Junior Assistants	360
Stenographers	150
Typists	165
Class IV	721
Total ..	2,037

Compared to the Madras Secretariat, with a total official strength of about 1,500, the Mysore Secretariat is overstaffed. Part of this overstaffing is attributed to States Reorganisation.

3.88. Expenditure on the Secretariat was Rs. 42.57 lakhs in 1957-58 and it rose to Rs. 48 lakhs in 1960-61, an increase of nearly 12 per cent in three years. The Secretariat input is 70,000 receipts a month, or a daily average of 2,800 receipts. With an establishment of 1,417 employees, other than Class IV Government servants, the work load of each Secretariat employee is less than 2 receipts per day. The average cost of handling a paper in the Secretariat is Rs. 6.

3.88. The State Secretariat has been the target of public criticism on the score of delay and over-centralisation. We wished to make our own assessment of the working of the Secretariat. For this purpose we instituted, through the kindness and courtesy of the Chief Secretary, a time and motion study, which was conducted on our behalf by the O. & M. Section of the Secretariat. We selected at random half a dozen disposed of files in each Secretariat Department and measured the time taken for their disposal at each stage. The result of the study in a tabular form is given in the Annexure. This simple investigation was sufficient to bring out the astonishing fact that, exclusive of the time covered by Cabinet consideration, it takes normally 272.2 days on the average for a file to be 'processed' in the Secretariat. The break-up of this time among the several stages through which a file has to pass, is as follows:—

	Stage	*Average time*
		Days
1.	Registrar	3.2
2.	Case Worker	87.2
3.	Superintendent	5.1
4.	Under Secretary	20.3
5.	Deputy Secretary	7.4
6.	Secretary	9.9
7.	Minister	11.2
8.	Other Secretariat Departments ..	27.7
9.	Other Officers	100.2
	Total ..	272.2

Actually a paper has to pass through 19 stages in the Secretariat. The time booked under item (9) above shows that unofficial consultation with departments is taking more than 3 months on the average. Out of 172 days of net time occupied in the Secretariat itself, the case-worker accounts for 87.2 days, or nearly 50 per cent. In one out of 72 cases covered by our study, the case-worker actually took 382 days to deal with the file.

3.89. It is seen further that in 75 per cent of the cases, the proposals of Departmental Heads were accepted by Government *in toto* and that the proposals were accepted with only slight modifications in a large number of the remaining 25 per cent of cases. It would thus appear that if the Secretariat scrutiny is not ineffective, it is by and large redundant. The question naturally arises if for doing so little it is necessary to have elaborate and costly Secretariat organisation. An extreme view often advanced is that the Secretariat may well be abolished and that the Heads of Departments be made Secretaries to Government with consequent complete elimination of Secretariat delay and considerable saving of expenditure also. In posing this question and answering it in the negative, the Andhra Administrative Reforms Committee 1960 has suggested, as an alternative, the merger of the offices of Heads of Departments with the Secretariat. We have given this suggestion our earnest consideration. We hold that the merger proposal is as extreme as the view that the Secretariat should be abolished. To ignore the fundamental distinction between policy and departmenal levels, and to suggest the fusion of the two into a single unit would be detrimental to both and fatal to administration. But we do agree entirely in the diagnosis of Secretariat delay and the finding by the Andhra Administrative Reforms Commitee regarding it, as in the following extract from its Report:—

> "According to the present practice, the examination of the proposals of a Head of the Department seeking the orders of Government, commences quite often at the clerical level. In respect of proposals of technical departments, it is needless to emphasise that any noting on such matters by the Secretariat staff is likely to be dilatory and not of much value. Even in respect of the proposals of non-technical departments, the views of the Head of the Department, who is a competent authority and is primarily responsible for departmental administration, should normally be accepted. The staff of the Secretariat, those at lower levels, who initially examine the proposals cannot be said to be, in any way, qualified to scrutinise critically the proposals of a Head of the Department. The proposals of the Head of Departments are based often on the proposals of the District and Regional Officers and are submitted to Government after thorough

> scrutiny. If these proposals are to be subjected to a further scrutiny by persons who are not specially qualified to undertake this work, unnecessary duplication and delay are inevitable."

Our view also is that low-level scrutiny in the Secretariat is the main cause of Secretariat delay. We are back then to the Gorwala thesis of raising the level at which noting should begin in the Secretariat.

3.90. We have gone through the report of (1) the Official Committee 1960, and (2) the 'Imrup' study group, on the working of the Gorwala system. We have discussed its working with the Chief Secretary and other Secretaries to Government. The consensus of opinion is that the Gorwala system is economical of both effort and expenditure. In the sections of the Secretariat to which the system has been introduced experimentally since October 1958, it is stated that there has been a reduction firstly in the number of stages through which a file has to pass and secondly in the time occupied in its disposal. Thus, we understand, that in the sections to which the Gorwala system has been introduced, the number of stages of disposal has been reduced from 19 to 12 and the average duration of disposal by 40-50 per cent (42 per cent in cases disposed of at Secretary level and 53 per cent in cases of disposal at Under Secretary level). The net result is an increase of input to 40 receipts per day per section. Taking into account Centralised Diarising, the unit cost of a Gorwala section is worked out (on pre-pay revision scales) at Rs. 2,310 per annum, the cost of a comparable an 'orthodox' section being Rs. 2,500 per mensem. The adoption of the Gorwala system logically involves the complete elimination of the cadres of Superintendents and 1st Division Assistants, with increase in the number of Under Secretaries. The disadvantage of the system is that, in the absence of a Superintendent, the 'memory of the section' is destroyed, whenever the Under Secretary either goes on leave or is transferred, since there is no one to deputise for him on such occasions or to help the incoming Under Secretary with precedents till he gets attuned to work. To fill up the 'vacuum' between the Assistant and the Under Secretary in the Section and to have a stand-by in case the Under Secretary goes on leave or is changed, it is proposed by the Official Committee to introduce the Superintendent 'between the level of the Under Secretary and that of the Assistant'. We were also told that there is considerable amount of preparatory work to be done in a Section before a file is put up to the Under Secretary in a form ready to be noted upon by him. It is also observed that there is follow-up work of a routine nature like drafting, etc., now required to be done by the Under Secretary himself but which he really should not be bothered with and could well be entrusted to an official at a lower level. The Official Committee has, for these reasons, proposed a modified staffing-pattern for the Gorwala Section as under:—

Under Secretary	1
Superintendent	1
Assistants	3
Junior Assistant	1
Stenographer	1
Typist	1
Peons	2

We generally agree in the need for a modification of the Gorwala system in the light of the findings of the Official Committee. While the introduction of the Superintendent proposed by the Official Committee is, in our opinion, necessary and is acceptable, we are definitely not in favour of the inclusion of the Assistants in the 'modified' section. It is already being said that even in the 'Gorwala' sections, clerical noting, obtained off the record, is reappearing on files as noting by the Under Secretary. We are positive in our mind that if the Gorwala system is to be adopted, and should have the chance of producing the result expected, the Assistant must be kept out of it at all costs. The objection to the abolition of the grade of 'Assistants' in the Secretariat is that 'a vaccum' will be created in the staff-structure, between the Junior Assistant and the Superintendents which it would not be possible to fill up in a normal way. The answer to this is the creation of a common running clerical grade in the Secretariat in the grade of Junior Assistant and of making all direct recruitment at the clerical level to this grade, as in Madras, giving the graduates who enter the grade two advance increaments. Promotion to the grade of

Superintendents may then be made on the basis of selection by 'screening' of clerks who have put in a minimum number of years of service and passed the tests to be prescribed in this behalf. Accordingly we suggest the following staffing pattern for the 'modified' Gorwala Section :—

Under Secretary	1
Superintendent	1
Clerks (Junior Assistants)	4
Stenographer (Junior Scale)	1
Typist	1
Messenger	1

While the typist may be attached to the Section, there may be a typists' pool for each Department in the Secretariat. Diarising should, we feel, be sectionalised and entrusted to one of the clerks in each section, but despatching may be centralised, outside the section, in each Department. If the 'modified' Gorwala Section proposed by the Official Committee is slightly cheaper than the regular Gorwala Section by Rs. 100, the 'modified Section' which we have suggested above will be even more economical and truer to the Gorwala pattern. We therefore recommend that the *modified Section* proposed by us be adopted and that this pattern be extended throughout the Secretariat, except to Finance and Law Departments in which the existing staff-patterns may be continued without modification in view of the special nature of work done in these Departments. In making the recommendation we attach the greatest importance to the selection of the right type of persons to be appointed as Under Secretary. The Under Secretary is the linch-pin of the Gorwala System and the proper working of the system is dependant entirely on the selection of the right person as Under Secretary to be in charge of the Section. In stressing this point, Gorwala himself stipulated that the new Under Secretary should be recruited by examination from at least Second Class Honours Graduates, special attention being directed in the examination towards testing the candidates capacity for quick comprehension and ability to pick out the basically important points in any matter. According to Gorwala, the Chief Secretary should conduct the examination and hold a *viva voce* test himself "the emphasis being not so much the possession of knowledge as on the quality of mind". These safeguards should, in our opinion, be duly observed in the selection of officials to be appointed as Under Secretaries. If however, the new system is not accepted or is for any reason discontinued, the system of Secretariat work in Madras may be adopted. In any case it would be useful to arrange for training the Under Secretary for a short period, and selected Secretariat Officials in some outside State Secretariat like Madras or Bombay. We suggest that the extension of the new system be so phased so as not to break up the existing pattern too suddenly or cause disaffection among the existing staff. It goes without saying that the emoluments and reasonable further prospects of existing incumbents in the Secretariat should be fully protected and guaranteed.

3.91. With the elimination of Assistants proposed above, it follows that vacancies in that grade caused by retirement should not be filled up. We understand that the inflow of work into the Secretariat averages two lakhs of papers per quarter. The monthly receipts work out thus to above 70,000. In view of the general impression that the Secretariat is over-loaded with work, some part of which at least does not really pertain to it and could well be left to be finalised at lower levels of the administration, we put through a work study to measure the amount of ineffective work in the Secretariat. We obtained from the O and M Section an analysed statement of petitions presented in one of the Departments of the Secretariat. It is seen that out of 7,157 petitions entertained in a period of 6 months (June—December 1960) in the Revenue Department, only 78 pertained to the Secretariat, being in the nature of appeal or review, and out of the rest, 35 petitions called for no action and need not have been entertained. The balance of 6,111 petitions which should normally have been presented to Deputy Commissioners or to officers below his level, were presented either to the Revenue Minister or to the Revenue Secretary and forwarded by the latter to Deputy Commissioners for disposal or report. These figures are revealing as they show that in one Secretariat Department alone 6,111 petitions, which need never have been received, were entertained in a period of 6 months. This is a staggering amount of unnecessary work with which the Secretariat is burdened, and the staff required to handle it and the expenditure incurred thereon, is money gone down the drain. Clearly the Secretariat is getting over-centralised.

3.92. Inter-departmental consultation is taking in the average one month for each paper dealt with in the Secretariat. The two Secretariat Departments through which almost invariably every file has to pass are Finance and Law.

3.93. There is the general feeling that Finance is creating bottle-necks and holding up work unnecessarily. The view of administrative Departments is that so long as there is Budget provision and the same is not exceeded, Finance need not get into the details of administrative work. There is some force in the contention and we are in favour of delegating financial powers to the administrative Departments in the Secretariat under proper safeguards. But there should be no relaxation of financial scrutiny or weakening of financial sense in the spending Departments. Reference has been made already to wasteful expenditure at different Government levels due to the neglect of prudential considerations. Since the Third Plan implies an even a larger rate of expenditure in the development departments than hitherto, it is all the more necessary to tighten up financial scrutiny and control over expenditure, to secure stricter compliance with financial regulations, without interference in administrative matters by Finance Department. A more effective financial scrutiny can be reconciled with speeding up administrative action by decentralisation of financial scrutiny to the Administrative departments themselves. This will enable the Finance Department to concentrate upon the broader aspects of financial control and effective pre-budget scrutiny of departmental expenditure, by being relieved of detailed scrutiny now exercised by it over individual proposals and schemes. To quote Sri Asok Chanda (Ex-Auditor General) " Though the system of financial control of India is modelled on the British system, the conception of departmental responsibility for financial administration has not been adopted or introduced. Delegations to departments have neither been significant nor extensive". The Andhra Pradesh Administrative Reforms Committee, 1960 has stressed the need to change the existing system of financial control and scrutiny in the following terms:—

> "There could be no doubt that it is the legitimate responsibility of the Finance Department of the Secretariat to evolve general financial and economic policies and principles. But it should not encroach upon the Departmental responsibility of the Head of the Department and seek to exercise meticulous control over items of expenditure pertaining to estimates which have already been accepted and approved by the Legislature, and for which necessary resources have duly been provided. At present, the delegation of financial authority to the Secretary to Government, and the Heads of Department is extremely limited. The result is that for every minor item of expenditure, prior concurrence of Finance Department of the Secretariat has to be obtained". "It looks as though 'itemised economy' is given more importance than 'over-all economy', an attitude certainly not sound in principle. The present conception of financial control extends to the examination of even technical details of schemes and work programmes and the raising of objections, even though the Finance Secretariat is not fully equipped for the purpose. However, these objects are quite often over-ruled, but only after long correspondence. Such delays seriously retard the progress of even development works".

We subscribe to the above views and recommend that each Administrative Department in the Secretariat, with a large expenditure budget, or a group of such departments, be provided with a Financial Adviser for exercising proper control and scrutiny over expenditure. Until this is done however, the list of items for which financial concurrence is presumed, may be enlarged so that as large a number of cases as do not really call for financial scrutiny may be disposed of in the administrative Secretariat.

3.94. Consultation with Law Department has become a regular feature of Secretariat work in view of the need for administrative action to conform to law and to the Constitution. Quite a number of administrative matters are now justifiable, and latterly the actions of Government are being challenged in courts by the parties affected. Not only the public but Government employees also are resorting to the High Court frequently with applications under *Writ creteriori*. Much legal work is being thrown on the Departments of Government as a consequence and frequent consultations with Law has become unavoidable. But to minimise too frequent consultations with Law in even simple matters, it is to be considered if (i) administrative officers may be put through a course of simple legal training to enable them to apply correctly the Constitutional provisions to matters coming up before them from day-to-day and (2) the Law Department can standardise and issue simple and clear instructions as to legal formalities to be complied with by the several categories of Government employees in the discharge of their work. Since a number of Government Departments have to enter into agreement or contracts in the regular course of work, and any flaw or defect in drafting may eventuate in legal proceedings against Government and possible loss, it is suggested that standardised agreement or contract forms, appropriate to different departmental transactions, be prepared in consultation with the Law Department and printed copies supplied for the use of the respective departments.

3.95. Since the movement of a file has to be watched through the different Secretariat stages, the responsibility for keeping continuous track of papers and files, and producing them when required, should be clearly fixed. We suggest that diarising be made an integral part of the work of each Section in the Secretariat and that one of the Junior Assistants in the modified 'Section' proposed be assigned the responsibility of watching the movement of files pertaining to the Section from stage to stage. Further each Secretariat file should bear the same number throughout, from the time of receipt upto the time of its final disposal.

3.96. We have discussed the question of Secretariat reorganisation with the Chief Secretary and other Secretaries to Government with a view to (1) cutting down delays, (2) increasing output, and (3) reducing expenditure, all of which are inter-related. The Secretariat has become a close preserve. In our opinion an inter-change of Secretariat and field staff is desirable and should be introduced to the advantage of both. The interchange may be at the clerical level and at the Under Secretary level, without prejudice however to the promotional prospect of the present staff of the Secretariat. Interchange of staff should be on a deputation basis and the period of such deputation should not ordinarily exceed a period of five years. The cadre of Superintendents may, however, be confined to the Secretariat. On the basis of 35 receipts per day per section proposed by the Chief Secretary, 80 sections would be needed for the whole Secretariat. The 'IMRUP' study, however, assumes a normal input of

40 receipts per day per section. We would suggest that work-load be fixed up both individually for each member of the Section and collectively for the Section as a whole. The Chief Secretary agrees in the work-load of 8 papers per day for a ' case-worker '. For the ' modified ' section, as a whole, the work load suggested by him is 40 receipts per day, the latter being worked up by a team of 5, including the Uunder Secretary, Superintendent and 3 Assistants. Since the ' modified ' Section we have proposed will be made up of one Under Secretary, one Superintendent and four Junior Assistants, the collective work-load should be higher than 40 receipts. In the Andhra Pradesh Secretariat the average work-load per case-worker varies from 10 to 13 receipts per day. A work load of 10 papers per day has been recommended by the Andhra Pradesh Retrenchment Committee as the norm in the Secretariat. Since the case-worker or Assistant has no place in the 'modified' Section, and the work to be done by a clerk in the modified pattern will be only to put up the papers and precedents, the work-load should be significantly more than 10 receipts per day. The proper work-load of a clerk in the modified section, however, requires a more careful assessment, and we must leave this to be determined by the O. & M. Section on the basis of work-studies. All we can say now is that a clerk in the ' modified ' section should be able to handle at least 10 receipts per day. The Superintendent, who is expected to do some amount of original work, and the Under Secretary also, should deal with five receipts each. Thus for the section as a whole, we suggest a work-load of 50 receipts per day. On the basis there need be only 56-57 sections for the entire Secretariat. It is also conceded by the Chief Secretary that the quantum of Secretariat work is capable of reduction by (1) delegation of powers to Deputy and Under Secretaries, (2) elimination of elaborate and repetitive noting, (3) adoption of the principle of as ' level-jumping ', (4) deletion of unnecessary references to Government by Heads of Departments, and (5) adoption of a convention in regard to petitions presented to Ministers on tour, not to call for reports from the Heads of Departments and subordinate offices but merely to instruct the officers concerned to pay personal attention to their disposal in a just-manner. The Special Secretary brought to our notice that delegation of powers had been made already in a number of Departments and tha considerable reduction of work would be possible by a simplification of office

procedures and methods. The O. & M. Section is also stated to be continuously engaged upon finding out ways and means of cutting down official delays and reducing ineffective work. We are of the opinion, however, that no substantial reduction of work in the Secretariat and in Government offices, can be expected until the practice, now prevailing in the Secretariat and in the offices of Heads of Departments of calling for reports in matters which are within the powers of subordinate authorities, is put a stop to, and Ministers and high Government offices impose a self-denying ordinance on themselves not to interfere with normal work in subordinate offices except as provided for by law in the form of appeal review or revision. We repeat that it is not sufficient to delegate larger powers to lower levels of administration but it is essential that officers should be allowed to exercise the powers vested in them and made to do so. While ineffective work in the Secretariat may be expected to be reduced on these lines, some allowance must be made as we have said, for normal increase of work and for emergencies. Taking all things into consideration, 75 'modified' sections are, in our view, more than a liberal provision for the Secretariat. The sections may first be categorised into 'Special', 'Normal' and 'Light', according as the proportion of receipts requiring to 'worked up' is 75, 50 or 25 to the total number of receipts. For Special and Normal Sections one Under Secretary may be necessary for each section. For 'Light' Sections, where the number of routine papers constitutes three-fourths of the work, one Under Secretary for two sections will perhaps do. Assuming the proportion of Special, Normal and Light Sections to be 25, 50 and 25, the total number of Under Secretaries required for the 75 'modified sections' in the Secretariat will be approximately 70. The work-load suggested by the Chief Secretary for a typist is 20-25 sheets per day. Stenographers should have a comparable work-load. It should be sufficient, in the case of Stenographers to recruit them in the general clerical grade and to give them an allowance of Rs. 30 per mensem in the cadre of Senior Stenographers, as suggested by the Pay Committee. In the case of Stenographers in the Junior scale, an allowance of Rs. 15 per mensem seems sufficient. Senior Scales Stenographers may be provided only to Ministers and Secretaries to Government and only Junior Scale Stenographers given to other officers in the Secretariat.

3.97. The Secretariat is at present organised into 12 Departments with a Secretary to Government in charge of each. There are 4 Additional Secretaries, one each in the General Administration, Finance, Public Works and Law Departments. Madras has only 12 Secretaries to Government. We have made a general assessment of work in the several Departments of Government and recommend that the posts of Secretaries to Government, Agriculture, Forest, Home and Planning be abolished and their work distributed among the remaining Secretaries to Government. The Home Department is at present dealing with a number of miscellaneous functions, including the Pakistan Passport work. 80 per cent of the work in this Department is of a purely routine nature. The percentage of work coming up to the Home Secretary is so small as not to justify a whole-time Secretary to Government. Now that there is a wholetime Development Commissioner with the status of Secretary to Government, and he should be the Agricultural Commissioner according to our proposal, we consider that he could logically be made Secretary to Government in the Agriculture Department also, the existing post of Secretary to Government, Agriculture and Forest Department being abolished. This will afford an opportunity of testing the proposal of the Andhra Administrative Reforms Committee to merge the offices of Head of Department with the Secretariat. The Forest Department may go over to the Revenue Secretary, since Forest is really a Revenue earning Department and should be with the Revenue Department in the interests of co-ordinated work in matters of common concern. The Home Department should go naturally to General Administration with which it has close affinity. In recommending that the post of Home Secretary be abolished, we propose that the Department be placed under the Chief Secretary, who may have the assistance of a Senior Deputy Secretary to deal finally with all routine work in the Department. The Planning Department in the Secretariat is a recent addition. It was, to start with, a side job of the Additional Development Commissioner. Real Planning work is done at the national level by the Planning Commission. We have suggested the creation of an Economy and Evaluation Commission outside the Governmental organisation, and this high-powered body can play a role at the State level analogous to that of the Planning Commission at the All-India level. A separate Planning Department at the

State level is hardly necessary just to assemble departmental schemes or to pass on letters and communications from the Planning Commission to Heads of Departments. An official department at the Secretariat level is hardly the best agency for securing wide spread public support for and participation in the State Plans. The effective part of Planning work at the Secretariat level is expenditure control and watching the receipt of Central grants for the Plan Schemes, etc. Since this work is being done in the Finance Department, there is, in our opinion, no justification for a wholetime Planning Secretary for doing the balance of purely programmatic work. In Madras the Finance Secretary is also in charge of Planning work also. We therefore recommend the abolition of the Planning Department. One Section or two under a Deputy Secretary may be constituted as a Cell for dealing with programmatic and evaluation of State Plans and placed under the Finance Secretary. We are also of the opinion that all fiscal measures and taxes in the State should be administered in the Finance Department at the Secretariat level. We accordingly recommend that work relating to taxation like Commercial taxes, Agricultural Income-tax, Excise, etc., which are now attended to in the several Secretariat Departments, be transferred to the Finance Department. Further the work relating to Statistics has close relation to Finance and the Department of Statistics should, in our opinion, come under the Finance Department in the Secretariat.

3.98. The object of creating the post of Additional Secretary is generally to afford relief to a hard-worked Secretary. Additional expenditure by increasing the number of top posts may be easily avoided by the Secretary in need of relief delegating some of his powers to his Deputies. In fact, Secretaries should, we feel, be encouraged to delegate more powers to Deputy and Under Secretaries. The latter may also be empowered, wherever possible, to submit specified classes of cases direct to the Minister for orders. We are of opinion that the posts of Additional Secretaries to Government are quite unnecessary and should be abolished. In future no posts in the category of Additional Secretary may be created. The posts of Additional Secretaries in the Public Works Department, Finance and General Administration Department may be abolished straightaway from 31st March 1962 but the posts of Additional Secretary, Law Department created for the codification of uniform State laws may be continued for a definite period, after which it may be abolished. The post of Technical Adviser in the Public Works Secretariat, was created sometime back and an engineering officer has been appointed thereto on contract. We see no need for such a post in the Secretariat or for the special staff of Executive Engineers attached to the officer. We suggest the termination of the post at the end of the present term of contract and the immediate withdrawal of the technical staff attached to him. A Special Duty Officer of the status of Superintending Engineer, is now working in the Public Works Secretariat. Posts of this nature should normally be not created at all. Whatever might have been the reason for the creation of this post, there is no justification for continuing it any longer. This post may be abolished immediately. There are also two Executive Engineers in the Public Works Department Secretariat working as Deputy Secretaries. It would be sufficient if one officer of the status of Under Secretary, who is technically qualified, is posted in place of the two Deputy Secretaries of higher status. The two posts of Deputy Secretaries may be retrenched and one Under Secretary of the grade of Assistant Engineer appointed instead.

3.99. The question of upgrading the posts of Secretaries to Government to the Supertime scale was referred to us for opinion. At present there are 7 posts in the supertime scale which, compared to the total number of 49 posts under Senior Duty posts in the State I.A.S. cadre, is already high, in our opinion. We are not in favour of any increase in the number of posts in the Supertime scale. The post of Chief Secretary to Government is already included in the supertime scale. If the other Secretaries to Government are to be given the supertime scale, there should be a corresponding reduction in the number of posts outside the Secretariat which are now included in the supertime scale. We are, however, not in favour of the posts of Divisional Commissioner, which are now in the supertime scale, being downgraded, since that would reduce the status of these officers to that of Deputy Commissioners, whose work is to be controlled and supervised by them. In our opinion the question of upgrading the posts of Secretaries to Government may be considered only when the question of abolition of the Divisional Commissioner is taken up.

3.100. In regard to the apportionment of work between the Secretary, Deputy Secretaries and Under Secretary, we agree in the Chief Secretary's idea that 35 per cent of work in each Department should normally be handled by the Under Secretary, 40 per cent by the Deputy Secretary and not more than 25 per cent may come to the Secretary. This standard of work should be laid down for guidance and enforced under a standing order.

3.101. We may now sum up. The basic reform is the reconstitution of the existing section in the Secretariat into a compact working-group consisting of 4 Junior Assistants and Superintendent, in charge of an Under Secretary. We have recommended (1) the adoption of this pattern throughout the Secretariat with the exception of Finance and Law Departments and (2) the re-organisation of the Secretariat as a whole into 75 such working-groups. We have also proposed the classification of these sections into Special, Normal and Light. The effect of adoption of this pattern on the existing staff-position in the Secretariat is (1) increase in the number of Under Secretaries from 56 to about 70, (2) abolition of about one-fourth the existing number of 535 Assistants, (3) reduction in the number of Junior Assistants from 360 to about 300, (4) reduction in the number of Stenographers from 150 to 100, (5) reduction in the number of typists from 165 to 100 and (6) reduction in the number of Superintendents from 106 to 75. The number of Class IV Servants should be reduced progressively in proportion of 1:10 to total strength. To start with 150 may be retrenched. We have further proposed the following specific retrenchments of top-posts in the Secretariat :—

(1) Abolition of the posts of Home Secretary to Government, Planning and Agriculture and Forest Departments.

(2) Abolition of the posts of Additional Secretaries.

(3) Reduction in the number of Deputy Secretaries from 13 to 9 or 10.

(4) Termination of the posts of Technical Adviser, Special Duty Officer and 2 Deputy Secretaries in the Public Works Secretariat.

State Budget

3.102. We have already recommended the introduction of the system of pre-Budget scrutiny and delegation of detailed financial scrutiny to the respective Administrative Departments in the Secretariat. It is necessary to streamline the Budget Section in the Secretariat and to constitute it as an independent wing of the Finance Department. The Section should be headed by a Senior officer of the Department with the status of Joint Secretary to Government and should work round the year instead of seasonally. At the same time the existing budgetary practices and procedures should be changed generally on the lines indicated below. No provision for any scheme or item of expenditure should be included in the Budget until detailed estimates therefor have been prepared and approved by the competent authority. Before provision is made in the Budget for an approved scheme, detailed estimates for the same should have been put up and scrutinised by Finance. Unless there is any substantial alteration in the original estimate thereafter, fresh financial sanction need not be sought after provision is included in the Budget and the Budget is passed. If the detailed estimates for a scheme or an item has not been subjected to pre-Budget scrutiny, financial scrutiny should be insisted upon even though provision for the same has been made in the Budget. The Financial Adviser to the Head of the Department, who should be responsible for expenditure control, internal audit and scrupulous observance of financial regulations, must also assume responsibility for correct budgetting. The Financial Adviser to the Administrative Secretary to Government in the respective Departments, should scrutinise the Budget Estimates under the orders of the Secretary before the estimates are sent to the Budget Branch. Administrative Secretary being responsible to the Public Accounts Committee, should have maximum authority in framing the Budget with the assistance of the Financial Adviser. While the Secretary to Government might overrule the Financial Adviser, the Budget estimates with the remarks of the Financial Adviser and Administrative Secretary should be sent to the Budget Officer who should be empowered to refer the matter with his remarks to the Cabinet for orders. Once pre-Budget scrutiny by Finance is over and the Budget is passed, there should be ample powers for the Administrative Department to operate on the sanction without having to run the gauntlet of post-Budget detailed scrutiny into individual items and schemes by Finance. To quote Paul Appleby " In some part the present system of expenditure control conceals a serious inadequacy in the development of the Governmental Budget. The expenditure control is used to too great an extent as a substitute for good budgetting ; it is a way of making a budget after the putative Budget has been presented to and approved ". The present system of financial scrutiny in vogue establishes according to Appleby " a pattern of poor cost estimates and poor budgetting which in turn are justification for detailed financial intervention ". To quote Appleby again " The Deparments knowing that Finance will reduce their requirements, are given positive encouragement to do this. When a particular Department submits a tightly estimated project, Finance has complained ' You put us in a difficult position by making it hard to reduce your figures. Actually tight and sound estimates should be encouraged, and conversely the loose estimate should be over-penalised '. Here again we feel that widest delegation of powers to Departments should be made on a basis of trust.

3.103. We understand that a high-power Committee on Administration has been constituted recently in the Secretariat, consisting of the Chief Secretary, Special Secretary and Additional Secretary, Finance, for promoting administrative efficiency. The composition of the Committee is, we feel, rather sketchy and inadequate and may be enlarged by the addition of one or two senior Secretaries to Government and co-option of experienced administrators. A suggestion has been made that a " Complaints Call " may be constituted under the Committee to spot out the causes for inefficiency and to rectify organisational defects and deficiencies. This, in our opinion, can well be done by the O. and M. Branch itself, which can also serve as the clearing house for administrative questions and a proving ground for new ideas and techniques. The O. and M. Division may further be expanded and reorganised to deal with administrative and service matters concerning all Government Department and to bring about inter-departmental understanding and coordination. Among the specific functions to be entrusted to the O. and M. Branch are (1) scrutiny of proposals for additional staff in all Departments, and (2) watching the implementation of policy decisions and important orders of Government. The Organisation and Methods Branch should evolve a system (1) for making full use of original thinking and of useful reforms and work in administrative field done in other States, and (2) of incentives based on rewards in cash or kind on the lines of the American practice.

3.104. Expenditure on the State Hospitality Organisation was Rs. 6,62,000 during 1960-61. Deducting the anticipated receipts of Rs. 1,60,000, the net expenditure was about Rs. 5 crores. The cost of establishment of the Government Guest House at Bangalore itself was Rs. 2.19 lakhs. Sri Gorwala suggested the sale of Government cars kept at the Residency, closing down of Government Guest houses and reduction in the scale of entertainments given by Ministers. We feel, however, that some expenditure on State hospitality functions is unavoidable. But it should, in our opinion, be curtailed and kept within certain reasonable limits. We recommend that the expenditure on State hospitality be restricted to Rs. 2 lakhs a year and suggest a reduction in the categories and number of persons treated as State Guests. The scale of official entertainments lunches and teas provided at the cost of State, should, however, be reduced to austerity levels and the number of such entertainments limited to State occasions only.

Expenditure on Ministers

3.105. The pay and allowances of Ministers are regulated under Section (6)(*a*) of the Mysore Ministers Salaries and Allowances Act, 1957. The Ministers and Deputy Ministers are entitled to a pay of Rs. 900 and Rs. 600 per mensem respectively. They are entitled to free furnished residences at Bangalore. In lieu of it, the Ministers and Deputy Ministers are entitled to a House Rent Allowance of Rs. 250 and Rs. 150 per mensem respectively. They are also paid Conveyance Allowance of Rs. 200 per mensem each. While the Ministers and Deputy Ministers bear the cost of petrol and oil required for the cars, and electricity charges in excess of Rs. 35

per mensem, the entire expenditure on (1) the maintenance and up-keep of their residences, including the lay-out and maintenance of gardens, and (2) repairs and replacements of cars, is borne by the State Government. In addition, the Ministers and Deputy Ministers are entitled to travelling allowance while on tour, and to free medical attendance and treatment in Government hospitals. Expenditure on salaries and allowances of Ministers and Deputy Ministers since 1957-58 is as follows :—

	Actuals	*Budget*
	Rs.	Rs.
1957-58	4,20,209	..
1958-59	3,94,834	5,30,000
1959-60	3,95,418	4,27,000
1960-61	2,76,800 (revised)	4,90,000
1961-62	3,44,620	3,44,620

The expenditure on the other items during 1959-60 was as follows :—

	Rs.
Pay of Officers	1,51,200
Pay of Establishment	20,687
Travelling Allowance to Ministers	1,05,436
Fixed Travelling Allowance	38,400
Dearness Allowance	3,721
Other allowances	9,600
Contingencies	39,589
Other charges (motor cars and carriages)	24,145
Medical charges	2,340
Total	3,95,418

The cost of furnishing a Ministers' residence is Rs. 17,562, as per G.O. No. GAD(6)(1)MIR 57, dated 17th June 1957. The total cost of maintenance of gardens at the Ministers' residences was as follows :—

	Rs.
1957-58	27,365
1958-59	27,393
1959-60	31,565
1960-61	43,238

Thus the expenditure on Ministers and Deputy Ministers aggregates to Rs. 7,83,276 per mensem, exclusive of the depreciation on the value of cars, rent, electricity and water charges, etc. The expenditure on T.A. to Ministers is now more than a lakh of rupees a year and is on the increase. There is a strong public feeling regarding the rather unplanned and unsystematic touring by Ministers. We have no doubt about the sincere desire of the Ministers to keep in close touch with the people and to acquaint themselves with the conditions prevailing in the State. But in the public opinion the tours of Ministers and Deputy Ministers are too frequent and short to be of benefit to the people or economical of expenditure. We should be the first to wish that the attention and energies of the Ministers are utilised for the best advantage of the State and of its people. The Ministers have also important work to do at Headquarters which demands their valuable attention and time. At the same time the democratic tempo of the times requires them to maintain happy public relations by means of tours. The State has a big area and the attempt to cover it quickly can only result in whirlwind tours which the Ministers themselves would, we are sure, like to avoid, firstly on account of the physical strain involved and secondly since nothing of much value can be accomplished during such short strenuous and random tours. It would also be difficult, in between such hectic tours, to do justice to the accumulated work at Headquarters. If the Ministers are putting themselves to the great strain of constant touring, it seems to be due firstly to local leaders and organisations putting pressure upon them to take up tours in their areas, often for trifling and unimportant reasons, which the Ministers find it difficult to resist, and secondly to the facility of State cars provided to the Ministers without any limit to the mileage to be covered. While touring by the Ministers in a democratic set-up of Government is both necessary and useful, it can be made purposeful and beneficial to the State by being planned out and restricted to absolutely necessary occasions and purposes. Normally a Deputy Minister's time is more usefully spent at the Headquarters, but when they do go on tour it should be for a specific purpose, such as inspection of projects or offices or important enquiries or investigations. The fixing of a maximum number of days in a month, in which a Minister or Deputy Minister remains out of Headquarters on tour, could perhaps be considered and also the imposition of a limit to the total mileage covered during a month. We do not intend these observations to be taken as recommendations but rather they are our suggestions, which we feel we should offer for consideration, with a view to the Ministers and Deputy Ministers themselves accepting self-imposed limits upon their touring and setting up a happy convention in this behalf. The adoption of some such convention would have a tremendous effect upon public opinion in the State and result in a substantial reduction in expenditure on T.A. now drawn by a large number of officers and officials who have necessarily to accompany the Ministers and Deputy Ministers on their tours. Incidentally, local officers would be enabled to plan out their tours and devote more time and attention to normal tasks to be done by them. While the pay and allowances of Ministers appear to be low in relation to their status and expenses incurred by them, incidental expenditure on their personal staffs, contingencies, upkeep of residences and cars, etc., adds up to quit a substantial amount. Some reduction in the scale of personal establishment may be considered. Among items of contingent expenditure, the cost on items like trunk calls requires a closer watch. The scale of furniture and equipment at the residences of Ministers and Deputy Ministers does not err on the side of austerity and admits of reduction. While the Ministers and Deputy Ministers should be comfortably housed and all reasonable conveniences be provided to them, it is very necessary to avoid every kind of ostentation and suggestion of luxury in their house-keeping arrangements, with due regard to public opinion. We are definitely of the view that the expenditure of more than Rs. 40,000 a year on the upkeep of gardens at the residences of Ministers and Deputy Ministers is something which calls for drastic and immediate reduction. Though the amount to be saved by these measures may not be much, yet the moral effect of the fine example to be set by the Ministers and Deputy Ministers and the lead given by them for securing all possible economies in expenditure is bound to be tremendous. A specific suggestion has been received from responsible quarters that it would be more economical if the salaries of the Ministers and Deputy Ministers are suitably raised, say up to Rs. 2,500 and Rs. 1,500 respectively, in lieu of their present salary and allowances and other amenities such as free cars, free furnished residences with maintenance of gardens, etc. Since Central Government Ministers are not provided with Government cars but allowed the facilities to purchase their own cars also and given higher salaries, we feel that the above suggestion merits serious consideration.

We feel that we should say something about the size of the State Cabinet. For a long time in pre-Independence days, the State had one Dewan and two Ministers. After the advent of the popular Ministry, the administration was being carried on with as few as six Ministers without any Deputy Ministers. After State Reorganisation, however, the size of the Cabinet began to increase and rose to fourteen Ministers and six Deputy Ministers. We have already seen that the expenditure on Ministers in the State is about Rs. 8 lakhs a year. With more Ministers and Deputy Ministers the expenditure on them will further go up. Apart from expenditure, Cabinets of unwieldy proportions are not conducive to speed and efficiency and administration. Purely from an economy point of view, it is desirable that the expenditure on Ministers and Deputy Ministers is not allowed to increase, specially since retrenchment of staff at all levels of administration, and in the lower grades also, is considered necessary and is being recommended. In our considered view, a Cabinet with eight Ministers, without any Deputy Ministers, seems adequate for the State.

Mysore Legislature

3.106. Data of expenditure incurred for the State Legislature and on the staff of the State Legislature Secretariat, was invited from the Secretary, Legislature but was not furnished to us. We could not also have the benefit of the Secretary's views in regard to possible economy in expenditure, as the several dates fixed up for discussion with him did not suit his convenience. We had therefore had to fall back on the information available in the State Budget. The expenditure on the State Legislature is seen to have risen from Rs. 14.07 lakhs in 1958-59 (Accounts), to Rs. 16.19 (Budget) in 1960-61, as follows :—

In lakhs of rupees

	Accounts 1958-59	*Budget* 1959-60	*Revised* 1959-60	*Budget* 1960-61
Legislative Council ..	2.00	2.39	2.40	2.40
Legislative Assembly ..	7.45	8.01	7.99	8.00
State Legislative Secretariat ..	4.62	4.23	4.37	5.79

Mysore is one of the States which has a bicameral Legislature. The Mysore Finance Enquiry Committee (1956) observed as follows in regard to the Legislative Council :—

" Neither here nor in any of the other State not even at the Centre, has the Second Chamber exercised any significant check on hasty legislation or improvident spending ".

Shri Gorwala writing in 1958 stated as follows his report on Mysore Administration :—

> " If the Legislative Council was composed of people in type or calibre different from the members of the Legislative Assembly, if it helped to bring out special points of view not present in the other Chamber, there might be some reason for continuing this body. As it is there is none."

In our view, Second Chambers are necessary and have a useful role to play in a democracy. Considering the criticisms that have been made about the defective composition of the Legislative Council, however, we trust that the present composition in Council will be altered so as to make it a true Second Chamber in order to justify the expenditure incurred on it. Regarding the expenditure incurred on the Legislature Secretariat, we should have been in a better position to make specific recommendations had it been possible for the Secretary, Legislature to meet us for discussion. In the absence of this, we can only make some broad recommendations. Whatever economies have been suggested by us in regard to the State Secretariat will naturally apply *mutatis mutandis* to the Legislature Secretariat also. But the peculiarity about the Legislature Secretariat is that its work is seasonal and is not uniform throughout the year. It would in the circumstances be necessary to devise a suitable staffing-pattern for this office. We suggest that only the minimum basic staff, for which there is adequate work-load throughout the year, may be employed permanently, and that this staff may be temporarily expanded during the Legislature Sessions, either by recruiting the required number of hands on a temporary basis, or by obtaining the necessary staff on deputation terms. There is, in our opinion, considerable scope for reduction in the scale of amenities provided at the Legislators' Home and in the expenditure on hire of equipment, furniture, conveyances, etc., incurred during the sessions of the

Legislature. Our observations in regard to privileges and amenities enjoyed by the Ministers and Deputy Ministers naturally hold good in the case of the Speaker, Legislative Assembly and Chairman, Legislative Council also. We trust that the Legislature, as the supreme State instrumentality for regulating public policies and expenditures, would be the first to give an inspiring lead in the matter of securing maximum economy in public spending in the interest of the development of the State and happiness of the people whom it represents.

(2) DEPARTMENTS OF GOVERNMENT

3.107. Departments of Government are classed as Major and Minor. Some of them are revenue-earning, and the others mainly spending, Departments. The scope for economy is naturally greater in the latter than in the former departments. Nearly a third of State expenditure is incurred in the Public Works Department—More than a third of the State net revenue is spent on salaries and establishment. The staff-intensive departments of Government are, in that order Education, Police, Revenue, Public Works, Medical and Public Health and Agriculture. It is the expenditure in these departments that call for closer scrutiny. Also, it is in the non-gazetted and Class IV categories of posts that the maximum reduction of number and economy under salaries establishment may be looked for.

1. *Revenue Department*

3.108. It would be appropriate to change the name of the Department to " GENERAL ADMINISTRATION DEPARTMENT " in keeping with the nature of its present work.

We have suggested the reduction in the number of Divisions, Districts and Talukas in the State. This is a basic reform which should be implemented with the least practicable delay to secure proportionate reduction of staff and expenditure at each of these administrative levels in all Government Departments.

With regard to Revenue Sub-Division offices, a few smaller offices may be closed down experimentally, and Assistant Commissioners withdrawn to District headquarters and used as wholetime inspecting officers, as already suggested.

At the Taluka level, the posts of Deputy Tahsildars of the Hyderabad Karnatak area are clearly superfluous and may be abolished. There are Talukas which are very small and do not give sufficient works for the Tahsildars. We have already suggested that Tahsildars of light charges may be placed in charge of more than one Taluka wherever possible. This suggestion may be given effect to as a first step in implementing the scheme of territorial reorganisation recommended by us.

Revenue Inspectors may be designated as Circle Inspectors, and their jurisdiction enlarged wherever possible to make it equal to the Development Block. This will rationalise their jurisdictions and make the combination of revenue and development functions possible eventually. Revenue Inspectors may also be entrusted with Mutation and phodi work, with corresponding reduction of staff now doing this work in the Survey Department.

At the village level, there is no need for a separate Pateli Office, whose duties, as observed by Shri Gorwala, have withered away. The stipendiary village Accountant to be appointed in place of the Shanbhogue may look after the Pateli duties and function as the Village Panchayat Secretary also. He should have an office in the village where the village records, the originals of which would have been lodged in the Taluka Office, may be kept. The stipendiary village Accountant may be trained for six months in village accounts and simple principles of cadestral survey and entrusted with the maintenance work of Record of Rights and upkeep of the Village atlas. By this the expenditure now incurred on staff in the Survey Department for the last named item would be saved.

Revised Office Procedure is understood to have been introduced experimentally in the Divisional Commissioner's Office, and in the District and Taluka Offices, at Bangalore, since 1st April 1960. It is proposed to extend the new office procedure to other revenue offices in the State. We, however, learn that the new office procedure calls for the appointment of additional staff in each office. An examination of the working of the new system, as compared to the Tottenham system previously in force, shows that there is substantial increase of work in terms of registers to be maintained, categories of disposals, and procedure for lodging papers in the record room. For example, the number of registers to be maintained under the new procedure in the Divisional and District Offices are 48 and 49 respectively, against 8 and 16 registers to be maintained in these offices under the old procedure. Further the lodging of papers in the Record Room under the new system appears to be complicated. The new system seems to have no particular advantage, as compared to the Tottenham system, which is stated to have been on the whole simpler and easier to work. Since the introduction of the new office procedure involves extra staff and expenditure without any corresponding benefit, we suggest that the experiment be terminated and the Tottenham system reverted to.

The staffing pattern in the offices of the Divisional Commissioner, Deputy Commissioner, Sub-Division and Taluka has to be reviewed, and scales of staff revised, on the basis of workload of 10, 8 and 7 receipts for these offices proposed by us.

There is a post of Gazetted Manager in the Divisional Commissioner's Office, Bangalore. Since there are two Gazetted Assistant to the Divisional Commissioner, a Gazetted Manager is not necessary. The post of a Stenographer in the Treasury Branch of this office is superfluous and may be retrenched.

There are four Special Deputy Commissioners for Abolition of Inams. The work-load of 600 cases per month fixed for each of them is, in our opinion, very light and may be raised to 1,000 cases. On this basis the number of officers may be reduced from 4 to 2. The workload of 200 cases for Special Tahsildars for Abolition of Inams may be raised to 300 and the number of officers reduced proportionately.

The scheme of Consolidation of Holdings has been in force in the Belgaum Division in the State. Although consolidation is due, the lands after consolidation and settlement are not being exchanged. The scheme is costly and is not really useful and may, in our opinion, be scrapped, whereby an expenditure of Rs. 3½ lakhs per year will be saved

2. *Department of Land Records and Settlement*

3.109. There are 43 clerks in the office of the Commissioner. The number of Clerks required, on the basis of workload of 10 receipts per day, is 26. The position should be reviewed and surplus hands retrenched.

According to the recent orders of Government, Survey records are required to be kept in the Districts. This order should be given effect to, and the staff of 50 surveyors now employed for this work in the headquarters office retrenched.

It would be enough to have only one Manager at the headquarters office. The remaining posts may be retrenched. Superintendents and District Survey Officers may have a Head Clerk only.

Of the three posts of Stenographers in the Commissioner's Office, two may be retrenched, since there is no sufficient work for three stenographers.

This is a Department where the work to be done is of routine nature and work has been to a great extent standardised. Considering this, the number of headquarters officers is rather large and, in our opinion, capable of being reduced. There are two Class II Officers in the Office, in addition to a Headquarters Assistant and Technical Assistant. The total number of Assistant Officers may be reduced from 4 to 2. Of the two posts of Deputy Commissioners at the headquarters Office, one for Land Records and the other for Settlement, one may be retrenched, and the two functions combined in one Officer with the designation of ' Deputy Commissioner for Land Records and Settlement '.

A Jeep Station Wagon, and four jeeps, are allotted to this Department. The nature of work in this department does not call for fast-moving vehicles. The Government vehicles given to this Department may be withdrawn forthwith.

3. *Religious and Charitable Endowment Department*

3.145. Neither the law governing the religious and charitable endowments nor the administrative arrangements are uniform throughout the State. The Mysore Religious and Charitable Institutions and Trusts Bill, 1960 is stated to have been published with a view to enact a uniform and comprehensive law in the State. At present the expenditure on the Department is Rs. 1,96,000 per annum. The income of the Department is through contributions levied from the institutions administered by the Department. No contribution is levied in Coorg, and the rate of contribution levied in the other areas in the State vary ranging from 2 per cent to 8 per cent in the Bombay, Madras, Hyderabad, and Old Mysore Areas. The levy of a contribution at 8 per cent uniformly throughout the State is proposed in the bill. The revenue of Rs. 5,80,000 is expected to cover the cost of the Department after it is reorganised. We make two suggestions, *viz.*, (1) that the Commissioner's office at the State level be abolished and the work entrusted to the Divisional Commissioners, as the nature of the work to be done is of a regional rather than of a State character ; and (2) that the rate of contribution be 8 per cent for minor institutions and 10 for major institutions.

4. *Department of Registration*

3.110. Of 179 Sub-Registrars of Sub-Registry Offices in the State, 23 are *Ex-officio*. A whole-time Sub-Registrar can handle up to 4,000 documents a year. In a Sub-Registry Office with less than this work load, a whole-time Sub-Registrar is not necessary. The Sub-Registrar of such offices should be withdrawn and the office made *Ex-officio*. Instead of opening new Sub-Registry Offices in the Rural areas outside the Taluka headquarters, additional Sub-Registrars may be appointed, for every 3,000 documents registered over 4,000 documents in a year, and attached to the regular Sub-Registry Office at the Taluka headquarters with proportionate clerical staff.

There are already 77 Class IV servants in the department who have been rendered surplus by the general reduction in the scale of Class IV employees. The balance of 252 Class IV employees is still very high in proportion to the number of Sub-Registry Offices. The number may be reduced to 200.

By the introduction of the Photo-copying system throughout the State, a saving in recurring expenditure of nearly Rs. 3 lakhs per annum is expected to be secured.

We recommend the introduction of the photo-copying system in the view of the Substantial economy expected.

The work relating to the registration of Firms and Societies in the State is being attended to centrally in the Office of the Inspector General of Registration with a special staff of one I Division clerk, 3 II Division clerks, a typist and a peon. Apart from the cost of the establishment a considerable amount of postal charges is being incurred. In Madras this work is understood to have been decentralised. and entrusted to District Registrars, whereby the cost of Headquarters establishment is avoided and delay in registration and inconvenience to the public is obviated. It may be considered if the work may be decentralised and devolved on the Deputy Commissioners of Districts in the interest of expeditious work and economy in expenditure.

5. *Department of Stamps*

3.111. All stamps are now being printed at the Nasik Security Press with the exception of copying sheets. The latter also may be got printed at Nasik, instead of the Government Press at Bangalore. This will result in the saving of two hands in the Office of the Commissioner of Stamps.

Formerly the State Huzur Treasury Officer was the *ex-Officio* Superintendent of Stamps who with extra staff sanctioned in his office was attending to the following items of work, *viz.*, (1) Getting stamp papers printed in the Government Press and taking them to stock after counting, (2) Counter-stamping of stamp paper, (3) Embossing stamp papers to the 'denomination' required by parties, and (4) Distribution of stamp papers to District and Taluk treasuries. It would appear that the extra staff is being continued and there is a whole-time Superintendent of Stamps now, although all the four items of work formerly done in this office have ceased, since the printing of stamp paper and their distribution is now got done at Nasik while the system of counter-stamping has been abolished and embossing is going out of vogue. Even the printing of copying sheets may be got done at Nasik, as already suggested. If we have been correctly informed, there is no need either for a whole-time Superintendent of Stamps or for the special staff, both of which may be abolished and the *ex-officio* arrangement reverted to. In any case the entire stamp work may be taken out of the Department of Registration and transferred to the Commissioner of Commercial Tax.

A number of exemptions are being given and continued under the Mysore Registration as well as the Stamp and Court Fees Acts. The following statement gives the particulars of the revenue foregone in this behalf in the last three years:—

	1957-58	1958-59	1959-60
	Rs.	Rs.	Rs.
Registration Fee foregone ..	8,47,550	15,79,850	14,82,920
Stamps and Court Fees foregone ..	9,40,370	25,88,550	25,34,590

Thus Government is foregoing nearly Rs. 40 lakhs per annum under exemptions given. We consider that this is a heavy loss and recommend that exemptions and abatements given under the two Acts should be carefully reviewed, and wherever they are not in pursuance of a declared policy, they should be withdrawn.

6. *Department of Food Supplies*

3.112. The Department has outlived its usefulness. Out of a sanctioned strength of 249 hands, 37 were retrenched to end of June 1961. At present 171 hands are being continued for doing residual work. Even the control over sugar having been lifted recently, there is no justification now to continue the department any longer. It may be wound up from 1st April 1962 and functions relating to distribution of rice, wheat, administration of Licensing orders and issue of export permits, may be entrusted to the Deputy Commissioners of respective Districts, along with the disposal of audit objections. The post of whole-time Food Assistant to the Deputy Commissioner, Bangalore District may be abolished, and the special pay of Rs. 50 p.m. given to the Development Assistants to the Deputy Commissioners in the other districts, stopped.

7. *Excise Department*

3.113. This year three more Districts in the State went dry, and the following staff become surplus, from 1st April 1961 :—

District Excise Officers	3
Excise Inspectors	3
Assistant Excise Inspectors	12
First Division Clerks	2
Second Division Clerks	4
Third Division Clerks	3
Class IV servants	54

But no effective action has been taken so far to absorb the above staff. Unless retrenchment measures are taken seriously and implemented promptly by the Departments concerned, there will be no real but only paper economy. A time limit should be fixed for absorption of the entire surplus staff as above and a directive issued to the Departments concerned to absorb this staff within the time limit, since otherwise the staff will be paid without any work being done. In determining the surplus staff, only field staff in the Districts which went dry has been taken into consideration but not the staff in the Excise Commissioner's Office. In our view there should be a proportionate reduction in the establishment of the Commissioner's Office also. Even considering that Bangalore District, which accounts for a major part of Excise revenue, continues to be wet, it should be possible to reduce a third of the Commissioner's establishment. The Commissioner, however, feels that the work in his office has actually increased in spite of extension of Prohibition. The position calls for examination, and only such minimum staff required for work in the Commissioner's Office be allowed to be continued. Since a policy decision has been taken to enforce total prohibition in the State it is necessary that the Department should think of measures to liquidate itself according to a phased programme. Such a programme including the field as well as the Headquarters staff should be drawn up in advance for being put into effect at the appropriate stages.

The post of Deputy Commissioner of Excise was abolished in 1959. The Commissioner has at present two Gazetted Assistants of whom one is in charge of the

Excise Intelligence Bureau. As a part of the programme of winding up the Department we suggest that the two posts of Gazetted Assistants may be clubbed together under one officer and one of the posts retrenched.

The offices of the Excise Superintendents of the Hyderabad Karnatak Area are definitely over-staffed. The total establishment of the offices of the Excise Superintendents of Gulbarga and Raichur was 259 and 235 respectively, of which 168 and 147 were Class IV employees. There are as many as 41 and 40 Second Division Clerks in the two offices respectively, and 22 Clerks in Gulbarga Excise Superintendents' Office are stated to be attending to recovery of old Excise arrears. The arrears in Hyderabad Karnatak area amount to nearly Rs. 1 Crore. We understand from a discussion that we had with the local officers that the question of recovery of the arrears is being considered at a high level. The arrears relate to pre-Police Action period and a good part of it is stated to have become irrecoverable. A Special Officer posted for the collection of arrears seem to have recovered a sum of Rs. 5 lakhs so far. It seems to us that the whole position in regard to Excise arrears of Hyderabad Karnatak area should be reviewed by a high-level Committee and a decision arrived at in the matter to be followed up by effective action. Meanwhile we consider that no useful purpose will be served by keeping a large clerical staff for the purpose in the offices of the Excise Superintendents. We suggest the minimum retrenchment forthwith of 50 per cent of second division clerks in the Offices of the Excise Superintendents of Gulbarga and Raichur. The post of Special Officer for collection of arrears may be continued for a definite period with reduced staff of only two clerks, pending a final decision at a high level to be taken in the matter as suggested by us.

The posts of Assistant Superintendent of Excise in Hyderabad Karnatak area are superfluous and may be abolished, the existing incumbents being either absorbed in other Departments or retired.

An officer of the status of District Excise Officer is posted at the Hospet Distillery. There is no need for a Gazetted Officer for this work. The post of Excise Officer may be retrenched and a senior Excise Inspector placed in charge of the Distillery under the control of the Excise Superintendent, Raichur.

Apart from the Excise staff in the wet areas, there are District Excise Inspectors in the Bombay-Karnatak and other dry areas, and a prohibition staff under an Assistant Prohibition Officer in Coorg, all of whom work under the Excise Commissioner. The propriety of Excise staff working in a Prohibition area is open to doubt. We consider that there should be a single administrative authority in the Prohibition areas and that the Excise Department should confine itself only to the wet area in the State. In this view we propose that excise functions now performed in the dry areas of the State be transferred, with the respective staff, from Excise to the Police Department. Prohibition propaganda now carried on in the Bombay Karnatak area appears to be ineffective. The expenditure on part-time staff appointed for the purpose is unnecessary and may cease, with immediate effect.

8. *Department of Commercial Taxes*

3.114. The Commissioner has two Gazetted Assistants and a Gazetted Manager in his office. There is also a Headquarters Deputy Commissioner of Commercial Taxes.

A special staff has been posted for clearance of arrears of assessment work in Belgaum Division. In our opinion, posting of special staff for such purposes should not become a normal feature. However, since the staff has already been posted, a time limit for the clearance of arrears, and schedule of work to be done from month to month, should be fixed, and the staff withdrawn at the end of a definite period. Any residual work that may be left over at the end of this period should be taken up by the permanent staff of the Department. The standard work-load for a Commercial Tax Officer is roughly 300 files, and for an Assistant Commercial Tax Officer is 500 files. Even on this standard of work load for the Assistant Commercial Tax Officer, which we consider is low, there is not sufficient work admittedly in the office of the Assistant Commercial Tax Officer, Harapanahalli. This office may be closed down and the work distributed among the other officers in the District.

The ratio of expenditure to the revenue in Commercial Taxes Department is about 3 per cent. The Commissioner is of the view that the Department should be strengthened further for dealing with the increased work and for tightening up the administration. We will deal with this aspect in a later chapter. Meanwhile we consider that the revenue realised in respect of turn-overs below Rs. 40,000 which are assessed by the Assistant Commercial Tax Officers, is not commensurate with the number of A.C.T.Os. and the amount of work turned out by them. The Department should seriously consider reducing the number of A.C.T.Os. and increasing their work-load.

Considering the amount of work to be done the number of Sales Tax Inspectors appears to be rather large. A suitable reduction of their number is suggested.

9. *Department of Transport.*

3.115. The Department was organised with five Regions in the new Mysore State on 1st April 1957. It was reorganised with 19 Regions from 1st December 1958.

The Commissioner's office has 9 Sections and excluding the Commissioner, has 6 Gazetted Officers. One of the officers is functioning as whole-time Presiding Officer, Mysore State Transport Appellate Tribunal. Two of the remaining 5 Gazetted Posts have been created by upgrading the posts of Superintendents. There are only three Superintendents to manage the work of 9 Sections and one of them is an Accounts Superintendent. We feel that the number of Gazetted Officers in this office is somewhat excessive and that the post of Additional Gazetted Assistant may be retrenched. The Department has complained about the lack of adequate staff in the Regional Transport Offices and proposals for re-organisations are stated to have been made to the Government. On the basis of one Inspector for 395 Transport Vehicles or 1,500 non-Transport Vehicles, the Department requires 20 Inspectors of Motor Vehicles. Against this, however, sanction of Government has been accorded for 11 Inspectors.

The total number of Motor Vehicles registered in the State is 31,195, of which 18,614 are private cars or motor cycles, 3,886 are Stage Carriages, 718 are taxi cabs, 9,902 are goods-vehicles. The present level of revenue from taxes on motor vehicles stands at Rs. 357.76 lakhs. The revenue is expected to increase to Rs. 5 crores a year with the passing of the Tax on Passengers and Goods Act. Considering the revenue and the amount of work in the Department, there seems to be necessity for strengthening the Regional Transport Offices and the Inspectorate. Retrenchment of some superfluous posts in the Commissioner's Office is possible. One of the three posts of Superintendents may be retrenched. Out of 13 posts of Accounts Superintendents in the Regional Transport Offices in the State two posts in the office of R.T.O., Bangalore, may be retained and the posts in the other offices reduced to the grade of Accountants. With the suggestion made by us elsewhere that the work of issue of Motor Vehicle tax licence to the D.I.G., Bangalore as in Madras, the Account Superintendents and proportionate staff of the R.T.O.'s Office, Bangalore will have to be allocated to the office of the D.I.G., Bangalore. The number of Stenos in the Commissioner's Office may be reduced from three to two and the posts of Stenos in the R.T.O.'s Offices reduced to the grade of Typists, as Stenos are not required in these offices. Of the six Auditors in the Commissioner's Office two are permanent and four are temporary. Two out of the four temporary posts may be made permanent and the remaining two posts retrenched.

10. *Department of Anti-Corruption Measures.*

3.116. The Department is functioning at the State and Divisional levels. The following figures reflect broadly the staffing-pattern and out-turn of work at the two levels :—

STATE LEVEL.

No.	*Out-turn of work*	*No.*
Gazetted 5+1	Petition investigated	782
	Cases substantiated	31
Non-Gazetted—		
Executive 55	Number of traps laid	23
Ministerial 17	Number of enquiries completed and reports sent	36
Class IV 33		

DIVISIONAL LEVEL.

Gazetted 2 ..	Number of petitions investigated	1,186
Non-Gazetted ..	Cases substantiated	90
Executive 18 ..	Number of traps laid	15
Ministerial 18 ..	Number of enquiries completed and reports sent	10
Class IV		

We understand that the output of work at the Divisional level, in terms of investigations held and penalties imposed, is disproportionately meagre compared to the size of the staff and expenditure incurred thereon; and that 80 per cent of work done at the State level is infructuous. Recently Government has ordered that the Department of Anti-Corruption should be responsible only for investigation into allegations of inefficiency and corruption against gazetted Officers and for conducting Departmental enquiries in cases where the Director, Anti-corruption, is appointed as an Enquiry Officer under Rule 14(A) of the C.C.A. Rules. The intension seems to be to bring the Secretaries to Government and Heads of Departments more largely into the sphere of responsibility for looking after the 'moral health' of the Government servants working under their control. It is expected, as a result, that the number of cases to be referred to Anti-corruption in future would be so much reduced that it would not justify the present elaborate set-up of Department. To be of real value the Anti-corruption Department should be regarded as "an example-setting and awe-inspiring institution". The Anti-Corruption staff has therefore to be reserved, except in very special cases, for the investigation of really serious allegations against gazetted officers. In view of this, we recommend that the Department in its present form be wound up and in its place an 'Investigation Cell', on the lines of the 'X' Branch of the Government of India, be set up under a Deputy Inspector General of Police. The Cell should, in our view, function independently and be free from any departmental influence. It should therefore be placed under the Chief Secretary for the investigation only of special cases to be referred to it and of allegations of corruption against Gazetted Officers. In regard to cases to be handled by the respective Departments, a senior and experienced officer in each Department may be nominated as the Vigilance Officer for an intelligent scrutiny of complaints received and deciding under the orders of the Head of Department, whether further investigation should be made, or if the case should be proceeded with departmentally. Unless the case is so serious or complicated as to be referred to the Anti-Corruption Cell, it should be disposed of departmentally under the simplified procedure recently laid down for enquiries of this kind.

In regard to enquiries under C.C.A. Rules, it is understood that obstructive tactics are employed by accused officials to delay and protract the proceedings. The rules in some of the other States are stated to invest the Enquiry Officer with the powers and authority of a Court, especially in the matter of enforcing attendance. The inclusion of a similar provision in the State C.C.A. Rules is suggested for consideration, in the interest of speedy disposal of the enquiries.

The Technical Audit (P.W.D.) Cell was started, as a part of the Anti-Corruption Department, in July 1959, with a Superintending Engineer, Assistant Engineer, Accounts Officer and Clerical Staff. Admittedly the Cell has not been fulfilling the objects set out in the charter during the two years of its existence. It was initially a mistake to have located it in the Anti-Corruption Department. The Cell is now functioning more as an anti-corruption device for investigating corruption charges against P.W.D. Officers than for achieving its special object of securing stricter financial control of the Public Works Department through a system of concurrent and continuous Technical Audit. The real purpose of such audit is " to chase " the work during its execution. The functions of the Cell according to its charter are (i) inspection during execution to ensure quality of work, adherence to specifications, time-schedule and to prevent deviations during construction, (ii) percentage check of quality to ensure reasonableness of rates and avoidance of ambiguity of conditions, and specifications in the contract, and (iii) advising Government in the P.W.D. regarding technical points. The Cell, functioning under the Anti-corruption Department, is not attending to these legitimate functions, and has not come to grips with the problems to be tackled by it. The Cell was modelled on the one at Delhi under the Ministry of Works. It should have logically been placed under the Secretary, Public Works Department in the State. In view of the magnitude of expenditure on projects and works in the Public Works Department under the Third Plan, the Cell will have a very important role to play in securing compliance with proper specifications and time-schedule in the execution of projects. It is therefore important to locate the Cell correctly and to see that it functions according to its charter. We therefore recommend that this Unit be taken out of the Anti-Corruption Department and attached to the Secretariat under the control of the Secretary to Government, Public Works Department.

A Special Team, under a Special Assistant Commissioner, was constituted in 1959 and attached to the Director of Anti-Corruption, to verify and bring to book demands relating to contribution and Water rate leviable in respect of irrigation works completed in the period from 1949 to 1959. So far, an expenditure of Rs. 52,932 has been incurred on the Team, and a sum of Rs. 84,15,873 brought on demand, in the districts of Kolar, Mandya and Shimoga. The verification in respect of Hassan and Mysore has been taken up. The continuance of the team for three years from 1st April 1961 has been sanctioned. In Rajasthan, a Special Officer of the status of Senior Collector, is appointed in the Irrigation Department to examine the system of assessment and booking of demand of irrigation dues and for their proper accounting. The Mysore Irrigation (Levy of Betterment Contribution and Water rate) Act, 1957 came into force from 1st September 1960 and the rules thereunder were issued on 23rd March 1961. Five Betterment Levy Officers, of the status of Assistant Commissioners, have recently been appointed for the major and medium Irrigation projects in the State. The work relating to the correct assessment and prompt collection of Betterment and Water rate levies in respect of the irrigation projects on which they are leviable is, in our opinion, a matter of utmost importance and urgency in raising additional resources. Considerable amount of revenue from Water rate has already been lost by the delay of four years in bringing the Irrigation Act 1957 into effect. A time-limit within which the Betterment Levy Officers should complete their work should be fixed. The projects which have been completed, and particularly the Tungabhadra Project, should be taken up first, and the rates of Betterment and water rate levies determined quickly. In view of the large number of irrigation schemes which are nearing completion, and those to be taken up, there is plenty of work to be done in fixing the demand properly and promptly in respect of them. Since the failure to assess and book demands for Water rate under irrigation project has been a cause of large and continuous loss of revenue, it would be worthwhile to strengthen the Special Team and to make it permanent under an officer of the status of Deputy Commissioner. The Anti-Corruption Department is not, in our opinion, the proper setting for the work to be done by this Team. It may be attached to the Secretariat and placed under the Finance Secretary.

11. *Labour Department.*

3.117. The Department has four wings as follows:—

(1) Labour.
(2) Factories and Boilers.
(3) Employment Exchange.
(4) Craftsman Training.

There are four Assistant Commissioners of Labour in the Commissioner's Office for (1) Administration, (2) Technical, (3) Planning and Welfare and (4) Evaluation Implementation and Minimum Wages, respectively. The number of this grade of officers is large, considering the work done, and may be reduced from four to three with suitable combination of duties among the officers.

The total receipts in the office are 32,663 in a year. This works out to 105-110 papers a day. For dealing with 110 papers 11 clerks could be sufficient. As against this the office has a clerical strength of 33, and the number should be reduced on the basis of workload. There are two Superintendents in the office, one of whom is engaged in the work of introducing new office procedure. This is not a sufficient work for a Superintendent and this post should be retrenched and the work handed over to the other Superintendent. There are 64 Class I and II Executive Officers, who are working as Inspectors under the several Labour Acts, *viz.*, Minimum Wages Act, Shop and Establishment Act, etc. It is not necessary to have separate Inspectors for work to be done under each of these Acts. Functions under the several Labour Acts should be combined and entrusted to Labour Inspectors whose number may be brought down suitably. The number of Accountants is very large, having increased from one as on 1st March 1960, to five as on 18th October 1960. Similarly the strength of the Stenographers in the same period has increased from five to nine, of which five are working in the Central Office. These large increase in staff require scrutiny with reference to work-load in each case.

In our opinion it is possible to reduce the number of Gazetted Officers in the Commissioner's Office to six and of Accountants to three. Only one Stenographer would be sufficient for the Head of the Department, and one more the Headquarters Officer who has to dictate judicial orders. The remaining posts of the Stenographers in the Department may be reduced to the scale of Typists.

Under the Craftsmen Training Wing, there are 12 Industrial Training Centres in the State with about 2,000 pupils. For this wing there is large establishment, consisting of a Joint Director, two Inspectors of Training, one Accounts Superintendent, one Accountant, one Technical Officer, one Technical Assistant, four First Division Clerks, three Second Division Clerks, one Stenographer and one typist. Though 60 per cent of the cost is set by the Government of India, we feel that some reduction in the Central Office staff in this Wing is called for.

The Employment Exchange Wing of the Department has a Deputy Director, 19 Employment Exchange Officers, four Vocational Guidance Officers and one Occupational Information Officer. There seems to be over-staffing in this Wing and the staff position should be carefully reviewed and suitable reduction effected. Employment Exchanges have been opened in every District Headquarters. In our view it could be sufficient if these Exchanges are set up in larger cities and industrial areas where the problem of unemployment is acute. Accordingly we suggest that Employment Exchanges be retained only at Bangalore, Mysore, Mangalore, Belgaum, Hubli, Gulbarga and those functioning at other places closed down.

There appears to be a tendency in this Department for a separate officer and staff being appointed for each item of work and for upgrading posts in the lower to higher scales. While we concede that the work in the

Department is on the increase, it is necessary to the interest of economy to check the tendency to propose more staff than is strictly necessary.

12. *Education Department.*

3.118. The State is spending more than Rs. 15 crores a year on General Education. The total number educational institutions in the State is 28,676, of which 750 are High Schools, 2,096 Senior Primary and Middle Schools and 25,311 are Junior Primary Schools. The total school-going population at the end of the year 1958-59 was 25.21 lakhs. The average cost of schooling is Rs. 88.46 and Rs. 32.49 per annum per pupil, at the High School and Secondary Education stages, respectively. All-India teacher-pupil ratio is 1 : 40 at the Primary stage. In Mysore State the ratio is 1 : 35. There is also a large number of languishing schools in the State. A review of such languishing schools should be made, and those in which attendance is not likely to improve even after the introduction of Compulsory Primary Education, must be closed down. The number of single-teacher schools is also large. The staffing pattern in the High Schools is 1½ teacher for a Section. On the average a High School has six Sections with one Head Master, nine Graduate Assistants, a Kannada Pandit, one Language Teacher, a Drill Instructor and a Hindi Teacher. For the Middle Schools the pattern is one teacher for each class with one Head Master and one Teacher-*cum*-Clerk. It is conceded by the Department that Language Teachers (Sanskrit, Kannada, Hindi, etc.) in the High Schools are underworked and that the system of separate teacher for each language may be modified by making Graduate teachers, who are qualified, to handle language in addition to other subjects. We suggest further that such of the existing separate Urdu and Kannada Schools which are not economical be merged whenever possible.

The Basic system of Education in the State has recently come under review by the Estimates Committee of the Mysore Legislature. We have gone through the Report of the Estimates Committee and understand that the scheme is not being run in an efficient manner and that the system of Basic Education, as it is now worked, does not harmonise with the other types of education imparted in the State schools. The Committee has advised that the Government should not hesitate to scrap the system and avoid further waste of public money, since a Basic School costs twice as much as an ordinary school. Our opinion is that the working of this type of education needs impartial review by educationists and Government should take a decision either to work the scheme efficiently or to scrap it, as suggested by the Estimates Committee. Similarly in regard to multi-purpose schools, the Estimates Committee has characterised of as a 'luxury' which entails enormous outlay. This system of education is more or less experimental, and if it is found not to work satisfactorily, there should be no hesitation on the part of Government in closing down the institutions.

A suggestion has been made that better results could be expected, and economy in expenditure secured, by making the Head Masters of High Schools the *Ex-Officio* Inspectors of Middle Schools, and the Head Masters of Middle Schools to *Ex-Officio* Inspectors of Primary Schools in their respective area, doing away with a separate class of Inspectors. This appears to be a very useful suggestion which requires earnest consideration. We have discussed this point with some of the Educational Officers, who naturally raised difficulties in giving effect to this idea. In our opinion a radical change in the pattern of education at the Primary and Secondary stage is called for, and an integrated 11 year course may be introduced, making the Head Masters of High Schools and Middle Schools the Inspectors of Middle and Primary Schools respectively, abolishing the separate cadre of Inspectors, including subject Inspectors in the Department. This is a reform which may be adopted not only in the interest of improvement of educational standards but also of economy in expenditure.

At the Headquarters the Director of Public Instruction is assisted by a Joint Director who is in charge of Secondary, and an Additional Joint Director in charge of Primary Education. Since the Director is hemself an educationist, it would be sufficient to associate with him only one officer of the status of Joint Director who will exercise the full powers of Director in specific matters and deputies for him during the latter's absence. The post of Additional Joint Director may be retrenched. There is a Deputy Commissioner of Examinations in the grade of a Deputy Director of Public Instruction and a Director Educational Bureau (Research). Since the work relating to Examinations is seasonal, the two posts could well be combined under the Deputy Commissioner of Examinations and the post of Director, Educational Bureau, abolished.

The Director of Public Instruction's Office has 22 Sections. The incomings are 24-25 thousand papers in a month. For this work 100 clerks would be sufficient, at the rate of 10 receipts per day per case-worker proposed by us as the work-load for the clerical grade in the State. Against this, there are 221 clerks in the Director of Public Instruction's Office. The number of clerks is clearly excessive and may be scaled down by at least 50 per cent. The existing 35 Superintendents are too many, even at the rate of one Superintendent of each Section. Their number may be reduced immediately to 22, pending such further reluction as may be found possible to be effected after scaling down the clerical strength.

The most important question really in the future educational pattern in the State. The obligation of the State under the Constitution is only in respect of free compulsory education at the primary stage. The responsibility of maintenance of primary school buildings has been transferred to local bodies under the Mysore Village Panchayat and Taluk Board Act. In some of the other States as in Madras, the running of Primary Schools is also either transferred to local bodies or their transfer is under consideration. The State Government need not really be concerned with the day to day running of Primary Schools in the villages and try to regulate their working from the Headquarters of the State. We consider that the administration of Primary Schools in the villages should, consistently with the aims and objects of democratic decentralisation, be made over to the Village Panchayats and Taluk Boards, Junior Primary Schools being transferred to the former and Senior Primary Schools to the latter. Similarly the Primary Schools in the towns and cities in the State may be run and administered by the respective Municipalities and Corporations. In regarding to High School education, the existing schools may be handed over to the Municipalities or Taluk Boards concerned or to private agencies. In Madras and Kerala, almost all the High Schools are either Board Schools or are established and run by Missions. With suitable grants and facilities private effort can be enlisted and encouraged to take over existing High Schools in towns and cities and start new ones also. Under this pattern the detailed control over the working of schools and their day to day administration will become the responsibility of the Local bodies, or private educational authorities, as the case may be, while the functions of the Department of Education and of the Government would be limited to laying down policies, supervision and providing technical guidance and grants-in-aid. A change in the education policy and set up of Department on the above lines has to be earnestly considered in view of phenomenal increase in the number of educational instiutions in the State.

13. *Technical Education.*

3.119. Technical Education was part of the Department of Education from which it was separated and constituted to an independent Department two years back. The Department is running 17 Polytechnic and Technical High Schools in the State, at a cost of Rs. 27.34 lakhs per annum. In our view an independent Department, to run a limited number of training institutions with a small expenditure, is not necessary. At the same time the Department of Collegiate Education has been created recently for the administration of 14 Government Colleges which were separated from the Universities. We recommend the integration of these two Departments into one, under a common Director to be designated Director of Collegiate and Technical Education ; a Deputy Director in the grade of Superintending Engineer being in-charge of Technical Education. We understand that an officer of the status of a Chief Engineer has been posted recently as Director of Technical Education. An officer of such high status and scale is hardly necessary for a small Department like this. In view of our suggestions to combine Technical Education with the Department of Collegiate Education, and to appoint a Deputy Director of the status of a Superintending Engineer be in charge of Technical Education, the posting of the officer of the status of a Chief Engineer ordered by Government requires to be reconsidered.

Technical Education should, in the light of rapid industrialisation of the State be brought into direct relation with organised industry and the Department should work in co-ordination with established industrial concerns in the

State. We suggest that a Board of Technical Education be set up under the Director of Industries and Commerce as Chairman, and with the proposed Deputy Director of Technical Education as Member Secretary and representatives of larger industrial concerns as members. The working of the Technical Education Department and the syllabi of training should be reoriented to meet the growing demand for trained personnel in the industries. Subsidies from industrial concerns may be secured in consideration of the pattern of technical education in the State being readjusted to serve the needs of industries.

The work-load of the Clerical staff of the Director's Office is six receipts per day which is very low. The number of clerks should be reduced on the basis of 10 receipts per day per clerk. The number of Accounts Superintendents and Stenographers may also be reduced from three to two, and from two to one respectively, in view of inadequate work-load in the office.

In view of the liason between Technical Education and organised industry we have proposed, the curricula of technical education may be suitably revised to make the scholar work in an industrial concern for a specific term as part of the course.

14. *University.*

3.120. The provision in the Budget for 1960-61 under the State grants to the University is Rs. 86.57 lakhs. The Universities are also in receipt of grants from the University Grants Commission. There was no response to our invitation to the Vice-Chancellor, Mysore University for discussions, presumably because the University is an autonomous body. We raise the fundamental question whether, and to what extent, State Government may be required to afford financial assistance to the Universities in the form of grants. Under the Directive Principles of State Policy, State Governments are constitutionally obliged to provide free and compulsory education at the primary level. There is no such obligation for the State in respect of higher or University Education. The University Grants Commission has been set up to help the Universities to maintain better standards of education. The State finances are insufficient for the discharge of its constitutional obligation to provide free and compulsory education. University Education should more appropriately be made a national responsibility and any grants required for running the Universities be given by the Union Government. It is understood that a Committee, set up at the all-India level, is now examining the broader aspects of University education in the country and the future pattern of its finances. Uniformity in the standards of University education over the country as a whole is desirable, but it can be brought about only under unified control and regulation by a central authority. We repeat that the Universities should be regarded as national institutions and that the entire responsibility for maintaining them up to the required academic standard and of affording them the necessary financial assistance be assumed by the Ministry of Education, Government of India.

15. *Forest Department*

3.121. The Departmental expenditure works out to about 40 per cent of revenue. The expenditure on establishment itself is about 8 per cent of the total revenue of the Department. The rest of the expenditure is called 'Revenue Expenditure' and it is under this item that maximum economy has to be effected. A review of the work in the Department shows that, since 1959-60, progress under timber and firewood extracted and removal of bamboos has been on the decline.

In this Department the proportion of temporary to permanent staff is high and is particularly so in the category of II Grade Rangers, Forest Guards, Clerks and Typists. All the 59 Caretakers and 73 Kawadies are temporary. Besides there is a work-charged establishment the majority of whom are temporary. The position requires careful scrutiny to reduce the number of superfluous hands in each category.

Of the four Conservators of Forests, one is in the headquarters in charge of Working Plans. We suggest that, if there is no difficulty, the work may be regionalised and this top appointment at the headquarters retrenched.

There are two grades of Rangers. But the number of I Grade Rangers is only 13 against 138 of the II Grade. It seems sufficient to have a single grade for Rangers in the scale of Rs. 80-200.

In view of the large number of Guards and Foresters, 471, and 1937 respectively in the Department, it is important that their work-load should be carefully determined so that each official has sufficient work, and superfluous hands may be retrenched. The Chief Conservator agreed to furnish a formula after consulting the departmental officers. We suggest that the work may be expedited.

The Joida Mill and the Tractor and Truck Section of the Saw Mills at Dandeli, both of which have become out of date and are working at a loss, may be closed down and the 43 and 23 hands respectively working in them retrenched.

16. *Public Service Commission*

3.122. Now that the work relating to recruitment to Class III posts is aken out of the purview of the Commission, proportionate office staff should be retrenched forthwith.

17. *State Ports Department*

3.123. The Department was created in 1957 for the upkeep and maintenance of 21 coastal ports, other than the Mangalore Port. The latter port is under the administration of the Port Trust of which the Deputy Commissioner, South Kanara, is the Chairman. This, we feel is not a satisfactory arrangement. Since a senior Port Officer is on the spot and available at Mangalore, he should be made the Chairman of the Mangalore Port Trust and the Deputy Commissioner relieved of the extraneous work with which he is now saddled. We understand that the existing 21 ports are being reduced on the basis of tonnage handled so that ultimately there will be only 5—6 minor ports and the Mangalore Port would be developed as an all-weather Major port under the direct control of the Central Government. In view of this, the possibility of reducing the existing three Divisions in the Department to two may be examined. We gather that this is a self-supporting Department.

18. *Statistical Department*

3.124. There is duplication and overlapping of statistical staff and functions, as between the State Statistical

Department on the one side, and the Departments of Agriculture, Live-Stock and Animal Husbandry, P.W.D., Education, Forest, Medical, Labour, Industries, Co-operation, and Sericulture on the other. All the statistical work, excepting accounting statistics and administrative statistics, which arise purely as a by-product of departmental work, should be transferred from the above-named Departments to the State Statistical Department in the intersts of co-ordination of statistical work and economy in expenditure.

The State Statistician's Office has 15 sections. Each section deals with 10-12 subjects. Each subject is stated to require one Senior Statistical Assistant, 3 Junior Assistants and 4 Computors. There are 21 Gazetted, 333 non-Gazetted employees and 78 Class IV servants. The present staff is stated to be insufficient on this basis.

The workload of each category of staff is stated to be as follows :—

Field Investigators ..	Two to four schedules per day.
Computors ..	Four to 6 schedules per day.
Junior Statistical Assistant	Check of 100 entries.
Senior Statistical Assistant	Analysis and representation of one subject per half a day.

There are now 22 Field Investigators, 66 Computors and Clerks, 17 Junior Statistical Assistants and 28 Senior Statistical Assistants. This works out to one Investigator per district, 4 Computors for a section having 10 subjects, one Junior Statistical Assistant for 10-12 subjects, and one Senior Statistical Assistant for 10-12 subjects.

It was explained that the entire socio-economic survey work in the State was being done in collaboration with the National Statistical Organisation, and that the cost was being shared on a matching basis.

The cost of the Statistical Establishment for the Commodity Committees is understood to be met fully by the respective Committees and that on Survey of Goods Traffic by the Road Transport Corporation.

The Director urges that in the interests of better working of the Department and of eventual economy in expenditure, the Department should be equipped with a printing press of its own and that out of its estimated cost of a lakh of rupees, 50 per cent would be borne by the Government of India. The proposal may be examined and accepted if the cost of getting the departmental printing done in its own press is less than having it done at the Government Press.

The Department is already using mechanical punching machines and sorters of the Hollerith and other types. The use of such labour-saving devices in the Department of Statistics is singularly appropriate and economical. We suggest the use of more of these machines in the interests not only of economy but of greater accuracy in work which is essential in the Statistical Department.

We understand that statistical schemes put up by certain Departments of Government have been included in the Third Plan, without reference to, or consultation with, the Statistical Deparment. Since the Statisical Department has an efficient personnel and organisation to do statistical work for all the Government Departments, there is no call for the latter to take up statistical schemes as part of their departmental programme under the Plan. This is bound to lead to duplication and avoidable additional expenditure. We suggest that all such statistical schemes, included in the Third Plan, be deleted and the statistical work to be done in respect of these Departments under the Third Plan be taken over by the Statistical Department to be done centrally with such minimum additional staff as may be found necessary.

19. *Department of Tourism*

3.125. The Department is a recent creation. There is considerable scope for promoting tourist traffic in the State, but a separate Department of Tourism is not necessary. Since the essence of tourism is publicity, it may be constituted as a Section in the Information and Publicity Department and made permanent.

20. *Department of Information and Publicity*

3.126. The department functions at two levels, *viz.*, State and Regional. Regional publicity is un-co-ordinated and largely ineffective and may be discontinued. Publicity at the State level is sufficient. The posts of 4 Regional Assistant Directors and the staff under them may be reduced by 50 per cent and merged with the Central Publicity establishment under the Director.

The incoming mail in the Director's Office is about 200 letters per day. Ninety per cent of it is routine correspondence. There is no need for the post of Joint Director. It may be retrenched and the work redistributed among the Assistant Directors.

The Director's Office has 16 sections. There is scope for the reduction of the number of sections. The work in the publicity section seems to overlap with the publicity work done in certain Development Departments like Agriculture. This section may take up publicity for all development departments centrally and the work and the staff employed for publicity in individual Departments saved.

It is sufficient to print the State Administration Report. Administration Reports of individual Departments need not be printed, but sufficient number of cyclostyled copies made out for official use. Any scientific work done by particular Department may be summarised and issued in the form of a bulletin, if need be, separately.

The Photo Section is headed by an Assistant Director. He is really a Cameraman with Gazetted status. The post should be down-graded.

In regard to the journal ' Panchayat Raj ', published by the Department, one Assistant Director seems sufficient instead of two. The Mobile Publicity Section in the Bombay-Karnatak area is a luxury and may be scrapped. Five posts of District Publicity Officers, one in each of the four North Karnataka Districts and one at Mysore, are a relic of the past and may be abolished.

The Publicity Department should function more as a Public Relations Department than as an agency for publicizing Government activities and the doings of Government notabilities. Our impression is that inspite of the attractive get-up of the Department's output, it has really little publicity value. It would be useful to appoint a trained journalist to be in charge of this activity under the supervision of the Director.

The Department may take over Tourism.

21. *State Accounts Department*

3.127. Audit function relating to all Government Departments, other than statutory audit which rests with the Accountant General, should be centralised in the

State Accounts Department, under the unified control and supervision of the Controller, State Accounts Department. The existence of an Audit Organisation in the Co-operative Department outside the State Accounts Department is a duplication of function and staff. The Co-operative Department unit should be integrated with the State Accounts Department and the audit circles in the State reorganised to cover all audit functions.

The Department is mainly concerned with the Audit of accounts of Local bodies. There are 30 categories of local funds, the accounts of which have to be audited by this Department. The audit is of expenditure and also of receipts and involves a scrutiny of initial records and transactions. Further, the department audits the accounts of Universities, Securities in trust, Charitable and Religious Institutions, Sales-tax receipts and expenditure under Local Development Works. In 1959, the control over the Accounts staff in the Public Works Department was transferred from the Chief Engineer to this Department. The Department also undertakes special audits and investigations. There are at present eight Local Audit Circles and two Audit Units in the State. The creation of seven more circles has been proposed in connection with the audit of the accounts of Village Panchayats and Taluk Boards. The new circles should be so constituted as to coincide as far as possible with the reorganised Districts proposed by us and be limited to 15 for the State as a whole.

Cent per cent audit of Municipal transactions is in vogue in old Mysore area. The percentage in the Madras and Bombay-Karnatak areas is 30 per cent and 25 per cent respectively. To save time and expenditure with no appreciable loss in effectiveness of audit, we propose a uniform percentage of 50 in the case of major and 25 per cent in the case of minor, municipalities.

We make two broad recommendations in regard to this Department, *viz.*, (1) the cost of the Local Audit Staff should be covered by audit fees and (2) the Department should function not merely for the limited purpose of a Local Audit Department but should be reorganised to become the Central State Accounts Department to control, supervise and regulate the accounts work and staff in all Government Departments. A State cadre of the posts of Financial Assistants, in the grade of Deputy Controllers, and Chief Accounts Officers, in the grade of

Assistant Controllers, may be created under the administrative control of the Controller of State Accounts.

Of 260 Superintendents, 148 are working in the State Accounts Department and 112 in the P.W.D. Accounts. The scope for reduction of the number in the former has to be examined.

Thirty-one Accounts Officers are attached to the several Departments. It has to be examined if there is sufficient work at the Gazetted level in each such Department to justify the appointment of a Gazetted Accounts Officer.

The proportion of I Division (833) to II Division (425) Clerks in the State Accounts Department is high, compared to that in the P.W.D. (Accounts) and calls for reduction.

22. *Government Insurance Department*

3.128. The Department has three Branches, *viz.*, (1) Life Insurance, (2) Hyderabad Life Insurance, and (3) Motor Insurance. The post of the Deputy Secretary is vacant. The Secretary feels that there is need for filling the post, as the work in the Department is increasing. The post may be kept vacant until Fire Insurance work is taken up.

There are six Assistant Secretaries in charge of 22 Sections. Total number of Life Policies is 1,11,534. The number of current Motor Policies is 6,000. One Assistant Secretary is in charge of New Business. The office has 18 Superintendents. Each of them supervises the work of 12 case-workers. There are 98 First Division Clerks and 128 Second Division Clerks. One additional hand is entertained for every net increase of 900 policies. Actual workload is stated to be 1,300 policies per clerk. The workload in the Valuation Section is 200 cards (entries) per case worker per day. The workload for the remaining sections is to be fixed up. Total receipts and despatches during 1960-61 were 1,19,386 and 1,81,970 respectively.

We understand that the employees of the Life Insurance Corporation are given higher scales of pay and other amenities and that the officials of the Bombay State Insurance Department are paid the Bombay Secretariat scales of pay with 20 per cent deputation allowance. It is urged that the scales of pay and amenities given to employees in the Life Insurance Corporation be extended to State Insurance Employees, since firstly, the work in the Insurance Department is different from that of General Administration Departments and secondly, a number of qualified officials are migrating from the Department in view of better payment and prospects elsewhere. This position is the result of the L.I.C. offices, with decidedly better service conditions, being located in the same premises as the State Insurance Offices. This situation is a variant of the general problem of disparity in the Central and State scales of pay which has to be tackled on a wider basis. All we can say in the present context is that officials entering service in the State Insurance Department should be required to serve for a minimum number of years of service and that the authorities of the L.I.C. be requested not to countenance migration of officials from State Insurance for service under the Corporation.

There is no Legal Adviser in the Department and no additional expenditure is incurred for actuarial work as it is being attended to by one of the Assistant Secretaries. It is claimed that the Department is working economically with a low expense ratio. The expense ratio for the valuation period 1956-59 is stated to be 9.82 per cent.

The audit of departmental accounts was being done all along by the State Accounts Department and a sum of Rs. 250 was charged as audit fee. It appears that the audit was taken over this year by the Deputy Director, Commercial Audit, Government of India, and that a sum of Rs. 18,000 has been claimed as audit fee. The audit fee demanded is unreasonably high. Audit of Insurance transactions may, as in the past, be entrusted to the State Accounts Department. If there is any objection to this, the audit may be entrusted to a Chartered Accountant on payment of prescribed fee.

23. *Printing, Stationery and Publications*

3.129. The Department has four Sections as follows :—

(1) Press (General Printing, Forms and Registers),

(2) Stationery,

(3) Publications, and

(4) *Mysore Gazette.*

There are, under the Director, six Assistant Directors, of whom one is a Senior Assistant Director, two are in charge of Forms, one in charge of Books and Publications and one in charge of Stationery and Administration. The Assistant Directors are stated to be over-worked. The Stationery Section has to cater to about 3,000 units in the State and supplies are to be made twice or thrice in a year to each unit. Each of the four branches, *viz.*, the Press, Stationery, Books Department and Forms, have one Manager each. There is a Head Clerk for Establishment work, 16 First Division Clerks, 44 Second Division Clerks and 12 Third Division Clerks and 28 Class IV employees in the Bangalore Office and one First Division Clerk, six Second Division Clerks, one Third Division Clerk and four Class IV employees at Mysore. There are in addition, 19 Packers in the Books and Stationery Branch.

The Central Office comprises also of (1) an Internal Audit Section, consisting of one Superintendent, two First Division Clerks, two Second Division Clerks and one Peon, and (2) a Costing Section—consisting of one Chief Cost Accountant and three Cost Accountants at Bangalore and two Cost Accountants at Mysore. The employment of labour-saving mechanical devices like computors and calculators would speed up the work and save time, though perhaps it may not result in any substantial economy.

Unnecessary expenditure is being incurred upon the repairs of typewriters in use in the mofussil Government offices on account of the rule which requires them to be brought to Bangalore for getting them repaired through the Director of Printing and Stationery. The disproportionately large T.A. and incidental cost involved may be easily avoided by permitting the Heads of offices to get running repairs to typewriters done by mechanics in the District Headquarters themselves.

The Technical Committee of the Annual Conference of Heads of Printing and Stationery Departments in India, has drawn up a list of workloads for most of the operations performed in the Government Presses. Standards for making up pages, composition, correcting of mono-type and tabular matter and for hand-composing, Lino-composing, etc., have been laid down by the Committee. The standard workload in the Press Section is as follows :—

The unit of work in the Press Section is " Foolscap Folio page set in 12 points ", for composing and (2) "1,000 impressions of a form of 4 pages of foolscap folio or 8 pages of Octovo size ", for printing. The workload of one compositor is 1¾ pages per day of 8 hours. Twenty compositors can turn out 35 pages per day. For supervising the work of 20 compositors (a working unit), one Foreman is necessary. The work of four foremen can be supervised by an overseer or supervisor. One thousand corrected " ens " is the average production of a hand-compositor per hour.

The Conference has stressed the need for inspection of stock and use of forms, registers and stationery articles in the several offices in the States. The Director of Printing and Stationery has accordingly proposed the appointment of two Inspectors of Forms and Stationery and suggests that the P.As. to Heads of Departments be nominated as *ex-Officio* Controllers of Stationery and Forms in the respective Departments. In view of the large saving of expenditure expected, we support the Director's proposals.

The expenditure on the Department in 1959-60 was Rs. 61.61 lakhs, which represents about one per cent of the total Government expenditure.

We understand that the printing capacity of the Government Presses at Bangalore and Mysore is inadequate. A scheme of expansion of the existing Government Presses, modernisation of equipment and establishment of Branch Presses and Branch Offices of Government Stationery and Book Depots, has been formulated. Our general recommendation is that this Department should become remunerative and be reorganised and run as a fully commercial concern rather than as a Government Department. In particular, the Publications Branch of the Department should be commercialised and run with an eye to making a profit. We understand that the Punjab Government is netting a profit of Rs. 7 lakhs per annum, or 15 per cent of cost, from the sale of text books printed in the Government Press, even after reducing their price by 33 per cent. From the list of Government publications available for sale in the Government Book Depot at Bangalore, it is seen that priced publications valued at Rs. 1,92,375, are lying unsold from a long time. The position has to be reviewed from time to time to weed out unsaleable publications and to reduce their cost. We propose the appointment of a small Official Committee with a representative of the

Education, Law and Publicity Departments, under the Director of Government Publications, to go into this matter. Since Government publications are in demand but cannot be easily obtained in mofussil parts of the State, the sale of the same through authorised local booksellers on consignment basis, may be considered.

In regard to the Government Gazette, it is understood that a considerable quantity of paper is used and that both paper and printing costs could be reduced by issuing, in place of the existing Gazette, (1) a State Gazette published centrally at Bangalore covering matters and items of state-wide significance and application, and (2) Regional or District Gazettes, as in Madras, covering matters of local interest. The regional Gazette may be issued monthly instead of weekly. To save postal expenditure on the supply of gazettes, copies of Extraordinary Gazettes should be sent separately only to those directly concerned, and the despatch of the same to others made only along with regular Gazettes.

The Government Press, Bangalore has a Costing Section. We understand that the job costs are quite high compared to those in the private presses. The wage structure in the Press is such that the rates paid are on the whole higher than in private presses. In addition an Incentive Bonus scheme has been introduced recently. A double shift was introduced in the Government Press at Bangalore in 1957 with a 40 hour working days in a week. Additional staff was sanctioned to reduce overtime allowance. But not only the expected reduction in overtime allowance has not been achieved but the expenditure has increased from Rs. 1.12 lakhs in 1957-58 to Rs. 3.04 lakhs in 1959-60. The increased expenditure on overtime allowances, inspite of appointment of additional staff, requires examination. We urge the need to bring down the cost of printing in the Press to the level of that in private presses by effecting the utmost economy in the Printing Section and raising the output.

The recently constituted Internal Audit Section should in coordination with the Costing Section, try to bring about a reduction of cost and improvement in the standards of work in the Department. Matter, of which less than 250 copies are required, should not normally be printed in the Press. In regard to the printing and publication of text books our suggestions are, (1) printing and sale of what are called " Notes and Guides ", which repeat the prescribed text books, should be prevented, (2) textbooks should be printed and made available at all authorised book depots in the State at least a month ahead of the commencement of the academic year, (3) multiplicity of text books should be removed and they should be made uniform throughout the State and continued for at least 3 years, (4) text books may be made available through the Head Masters of Schools also, giving the latter and the school staff a low percentage commission, and (5) all text books should be printed in the Government Press.

In the case of Printing Department economy should come really from the Indenting Departments and not so much from the Press. The most important aspect of economy is to check the waste in the printing and supply of forms and registers to the Government Departments and offices. The first step to be taken in this direction is to standardise the forms and registers in all Departments of Government. This cannot be done until uniformity in laws and rules in the new State is brought about. It should, after the Departments standardise their forms and registers, be possible to introduce the system of job-debiting which will effectively check the tendency for Departments to indent for unnecessary forms and registers or from larger quantities that are really needed. We understand that uniform rules for the supply of stationery articles to Government offices have recently been issued. Accordingly supply of stationery made to Local bodies are to be made on cash-and-carry basis to ensure that there are no outstandings. In principle, all indenting Departments should be required to remit the cost of supplies made, and services rendered, by the Printing and Stationery Department, since it is a Service Department and should, like all commercial concerns, be in a position to bill for supplies and services. Making the supply of stationery articles to Departments of Government payable in cash is, in our opinion, the most effective way of ensuring effective scrutiny over departmental indents and economical use of stationery articles in the Departments. However, since insistence upon payment in cash by Indenting Departments leads to delays, more work and staff all-round, Heads of Departments may be given the necessary budget allotment and the Accountant General authorised to make adjustments against the allotments of the respective Departments on receipt of copies of bills from the Director of Printing and Stationery. This would act as an effective check on wasteful expenditure in printing and supply of stationery, etc. Government should also specify the particular items or matter which the Heads of Departments may send to the Press for being printed. The printing of items or matter other than those authorised by Government should be prohibited.

24. *Police Department.*

3.130. The State has a total police force of 25,958. There has been a reduction in the District Police force and Auxiliary mobile units to the tune of 868 persons already. The Inspector-General of Police feels that the existing Police force is overworked, and that there is no scope for further reduction, consistently with the existing and prospective workload in the Department. It is urged that there is immediate need for the reorganisation for the Bangalore City Police force under a Commissioner of Police and for raising the Special Armed Force from three Companies to a full Battalion strength, consisting of one Headquarters Company and seven active companies. It is further considered necessary in the existing law and order context and unforseenable situations that may develop, to have a margin of reserve to fall back upon in emergencies.

We generally agree that the scope of reduction in the existing Police force in the State is small and that the protective function of the State should not be weakened, in the present law and order situation. But there is bound to be some ineffective work or surplus staff in a large department like the Police, employing more than 25,000 persons. By a reduction of expenditure on such items and by the removal of duplication in staff or function in the Department, economy can be secured without detriment to the legitimate work of the Department or to public safety.

Admittedly, the mounted and unmounted Police taken over from the Palace is ineffective and the scale of Treasury Guards is capable of reduction. The former item is costing the State more than Rs. 2 lakhs per annum. It should be possible to wind up the unit gradually and eliminate the expenditure on it over a period of years. The expenditure on Treasury Guards may be cut down to the extent possible. Shri Gorwala suggested the saving of Rs. 2.75 lakhs by abolishing the Home Guards. The

Home Guards scheme is confined at present to the Belgaum Division. We understand that there is a proposal to extend the scheme to other areas in the State at a cost of Rs. 20 lakhs per annum. The additional expenditure may be avoided by postponing the extension of the scheme for the present. We are not sure if Home Guards are really so necessary or publicly useful as to justify their continuance in the Belgaum Division. The organisation may be wound up and the sum of Rs. 2 lakhs a year spent on it saved. Further, we would advise the postponement for the present of (1) the proposed constitution of the Police Commissionery for Bangalore City, and (2) the scheme to raise the Special Armed Police from three Companies to full Battalion strength. These schemes may no doubt be necessary but in the overriding interests of economy, the proposed additional expenditure may be put off and the extra duties in the Department arranged to be got through by increasing the mobility of the existing Police force.

Considering the relatively low incidence of crime in the State, the Department should take an objective view of the role of the District Police force and contrive by a suitable reduction and redistribution of their duties, to scale down the number to some extent without detriment to public safety. We suggest a 5 per cent reduction of the District Police force as a specific measure of economy. The reduction may be effected immediately in the rural stations and outposts in areas of decidedly low crime incidence. In the case of smaller town police stations, the basic scale may be reduced to one Sub-Inspector, one Head Constable and six Police Constables. In the case of rural outposts the frequency of village beats may be suitably staggered or reduced. The possibility of devolving some of the simpler police functions on the Village Panchayats may be considered, both as a measure of democratic decentralisation and economy in the police budget. Traffic, Bus Stand and Railway Station beats may be so combined and arranged so as to minimise the staff required for their performance.

It is seen that a separate staff is provided at police stations for prohibition duties and that there is also a Prohibition Intelligence Branch in every District. We regard this as duplication of staff and expenditure. There is no need for a separate Intelligence Branch solely for prohibition work. It should be possible to reduce staff and expenditure to a considerable extent by a combination of the regular police and prohibition functions at all levels in the Department. Now that total prohibition is to be brought into effect, it may be necessary to review the staff position in this regard comprehensively and evolve an effective and at the same time economical staffing pattern for the discharge of both police and prohibition functions in an integrated fashion.

Deputy or Assistant Superintendents of Police are attached to the Superintendents' Offices at District Headquarters. In our opinion it is not necessary to have officers of the Deputy or Assistant Superintendents' grade at the headquarters of Districts where the Superintendent of Police is present. Police officers of this grade should be stationed only in special areas of high crime incidence or where difficult and peculiar law and order problems exist.

It should be possible further to reduce the number of Police Circles in the State and the proportion of Head Constables to Constables. A reduction in the number of Departmental Dhobies and Barbers may be effected by rationalisation of their duties.

25. *Prisons Department*

3.131. There are 105 Prison Institutions in the State as follows:—

4	Central Jails.
5	District Jails.
17	Major District Lock-ups and Sub-Jails.
77	Taluk Lock-ups and Sub-Jails.
2	Borstal Schools.

On the average there are 26,000 convicts confined in the jails and 22,400 under-trials are admitted to them in a year. The percentage of prisoners confined to the total population of the State is .027. The expenditure of the Department on the Budget Estimate of 1961-62 is Rs. 50 lakhs.

There is no uniform jail law, four different jail manuals being in force in the different regions in the State.

Two schemes, one for training jail officers at a cost of Rs. 1.15 lakhs, and the second for rehabilitating prisoners on co-operative agricultural farms at a cost of

Rs. 1.25 lakhs, have been formulated. We recommend that both the schemes may lie over for the present.

The single largest item of expenditure in the Department, after pay and allowances of staff, is under Ration and Dietary charges which stands at Rs. 13.65 lakhs per annum. We suggest the possibility of a 10 per cent reduction under this item by the exercise of stricter watch over the indents and use of supplies in jails.

The total receipts in the Central Office is 3,500 a year. At the rate of 10 receipts per day per clerk, the number of clerks required to handle the work is 12 against the existing 14 hands. Two hands may be retrenched. For a Department of this size, a Manager Class II is sufficient. The post of a Stenographer in the office of the I.G. of Prisons may be downgraded to that of typist.

The administrative officer now working as Personal Assistant may be replaced by a Departmental Officer. Of the seven posts of Assistant Superintendents, one (Bidar District Jail) remains unfilled and two are temporary. There seems to be no need for a jail for Bidar District which may be converted into a District Lock-up. The posts of Assistant Surgeons Class I may be downgraded to Class III. There are 20 teachers and House Masters for two Borstal Schools, and the number may be reduced by 25 per cent. Departmental staff forms 10.6 per cent of the prison population. The proportion of staff is high and is capable of reduction. There is scope for reduction in the present strength of 702 wardens (Class IV).

The need for a whole-time Inspector-General of Prisons has been questioned by previous Economy Committees. Since the work of the Department is of a special nature involving the maintenance of strict discipline and control over a large convict population, and the Department has a budget of Rs. 50 lakhs a year, we consider that a whole-time Head of Department is necessary.

We agree in Sri Gorwala's suggestion that the sale price of jail manufactures should be so fixed as to cover their costs, if not yield a small profit. We understand from the Inspector-General of Prisons that a wage-earning scheme has been introduced in Bangalore Central Jail and that power looms are to be installed in jails in pursuance of the policy to mechanise jail industries and increasing their receipts. The value of jail products is estimated at Rs. 6.70 lakhs a year. The rate of profit is stated to vary from 60 per cent, for some of the articles made in the Belgaum Jail, to 10 per cent, for those made in the Bangalore Jail, the average rate being 15 per cent. In our view, jails could easily be made self-supporting by introducing new and paying industries in the jails and utilising convict labour in a greater degree for raising vegetables. Among other ways of improving the receipts are (1) development of jail diary, (2) utilisation of jail labour on agricultural farms and in the Botanical gardens and parks, (3) formation of jail labour into labour gangs and their employment on construction in the P.W.D.

There is no Department at the State level for the administration of the Beggar Relief Act. The work has affinity to that of the Prisons Department. We suggest that the enforcement of the Act may be entrusted to the Inspector-General of Prisons with a whole-time executive officer.

26. *Judiciary.*

3.132. The revenue and expenditure of the judiciary in the State in 1960-61 were Rs. 62.92 lakhs and Rs. 80.98 lakhs respectively. The expenditure of Rs. 11.35 lakhs on the High Court is a charged item. The voted section amounts to Rs. 79.63 lakhs of which Rs. 54.46 lakhs relates to Civil judiciary.

There are 223 Subordinate Courts in the State, as noted below:—

(*a*)	District and Sessions Judges	25
(*b*)	Civil Judges and District Magistrates, Subordinate Judges and District Magistrates, etc. ..	36
(*c*)	Munsiffs, Munsiff-Magistrates and Magistrates ..	162
	Total ..	223

The number of courts works out on the average to one District and Sessions Court for about two-thirds of a District, one Sub-Court for half a District and one Munsiff or Magistrate Court for nearly every Taluka in the State. Most of the subordinate courts are stated to have sufficient work. There are some courts which are admittedly light and do not keep the presiding officer fully engaged throughout the year. We understand further that in the Ex-Hyderabad area practically there is a court for each Taluka, and that most of them are having very light work. The proposal to abolish two of them had, it would appear, to be dropped on the representations of the litigant public of the respective areas. The court of Munsiff-Magistrate at Krishnarajanagar, which was abolished in 1956, had to re-establish three years later in view of the public agitation for its restoration. In the light of this the abolition of even these courts where the work is light is considered to be not feasible. We see on the other hand that in the last few years, several additional courts have been established and a number of courts and judicial posts have been upgraded, as noted below :—

1. Upgrading the five posts of Assistant Judges and Additional Sessions Judges that were existing in the Ex-Bombay Areas to the cadre of District and Sessions Judge.

2. Establishing two Additional District and Sessions Judge's Courts with staff at Shimoga.

3. Upgrading the Court of the post of First Class Magistrate to the cadre of the Subordinate Judge for the appointment of the District Magistrate, Coorg.

4. Upgrading the Non-Gazetted post of the District Munsiff and Additional First Class Magistrate, Kollegal to that of the cadre of the Munsiff.

5. Establishing two Additional Munsiff's Court, one at Bangalore and the other at Tumkur with staff.

6. Establishing a Munsiff-Magistrate's Courts at Krishnarajanagar with staff.

7. Establishing Additional Munsiff's Court at Madhugiri with staff, which has since been transferred to Tumkur.

8. Establishing Munsiff-Magistrate's Court at Arsikere with staff and First Class Magistrate's Court at Tiptur with staff, which has since been transferred to Madhugiri.

9. Upgrading the eleven non-gazetted posts of Sub-Magistrates and two non-gazetted posts of First Class Magistrates in South Kanara and Bellary Districts to the cadre of the Munsiff's.

10. Establishing the Additional Munsiff's Court with staff at Chickballapur.

11. Establishing the Additional Munsiff's Court with staff at Gulbarga.

While administration of justice is a service which the State is bound to render to its citizens, there is no obligation on the part of the State to run courts without sufficient work or to restore such courts after abolishing them. It is manifestly unfair that the general tax payer be made to bear the cost of maintaining effete and languishing courts for the benefit of a section of the people representing the litigant public. Nor should agitation by a section of people be a sufficient reason to restore courts abolished in public interest. If additional courts are to be set up whenever work increases, on the same principle courts should be abolished and closed down whenever the work in them decreases. There are, however, no clear standards as to what constitutes adequate work for a court. This should be determined by a work study, carried out objectively to find out the amount of work in terms of either institutions or disposals which would justify the continuance of a court. In the absence of this there is no guiding principle to regulate the opening of more courts or of closing them down according to changing circumstances. But there shoud be no hesitation in abolishing admittedly light courts which do not keep the presiding officers engaged fully throughout the year. We also suggest that standards of work performance by presiding officers of courts should be laid down and enforced. We say this because of the prevailing opinion that a number of judicial officers in the State are having very light work, as they are frequently seen to leave the courts much earlier than the authorised closing time. *Per contra,* there are, many conscientious judicial officers who over-work themselves to the detriment of their health. If a definite standard of work is prescribed and the presiding officer knows that his work will be fairly assessed he can plan out his bench work systematically and adhere to it, without either taking his work lightly or over-working himself.

We are given to understand that there is a practice at present for Investigating Officers from different parts of the State being called to Bangalore invariably for discussions with the Advocate-General or Government Advocate in regard to facts connected with criminal appeals. Since the number of criminal appeals is very large and Investigating Officers have to come from distant places, the expenses incurred on their journeys and halts at Bangalore add up to considerable amount. We understand that there is no such practice in other States. It is doubtful if discussions with Investigating Officers after a lapse of time woud serve any useful purpose. While we do not rule out the necessity for discussion by the Advocate General with Investigating Officers in important criminal appeals, it does not seem to be necessary in our view to get the Investigating Officers in every case to

Bangalore. If there is such a general practice as we have been informed, it should be stopped and the expenditure unnecessarily incurred in this behalf saved, except in specific cases where the Advocate-General or the Government Advocate finds the presence of Investigating Officers necessary and requires him to come to Bangalore for discussion.

Having regard to the fall in money values generally and steep rise in property and real estate values, the pecuniary jurisdictions of courts determined a long time ago have become unrealistic. A litigant has to resort to a higher court now for the relief which he would have obtained in the lower court in the past. A fourfold increase in the pecuniary jurisdictions of courts would be strictly proportionate to appreciated property values. But to start with a doubling of the same is suggested. This would incidentally give adequate work to lower courts and obviate the need to start more courts of higher jurisdiction.

In order to overcome the inconvenience caused to the litigant public in travelling long distances to attend courts, while obviating the need to perpetuate light courts, the system of itenerant courts should be resorted to freely, so that both public interest and requirements of economy may be served. The pattern of Munsiff-Magistrate courts commends itself for the same reason and may be extended to sparsely-populated but geographically extensive areas in the State.

Posting of judicial officers with insufficient capacity and experience to the charge of bigger and more important courts is, in our opinion, the real cause of accumulation of arrears in courts. Since the succeeding judicial officer finds it difficult to overtake the arrears, an additional judge has to be posted or a new court has to be started every time. We suggest that the courts be graded according to work and the postings of judicial officers regulated, keeping in view their competance to cope with the work. When arrears accumulate, a searching enquiry should be held to find out the reasons for it and suitable action taken against officers if the arrears arise due to neglect of duty or incompetence on their part.

27. *Department of Agriculture and Food Production.*

3.133. The Departments of Agriculture and Food Production are combined under the Director of Agriculture. We do not see any reason why there should be two Departments, as the work of the two is allied and is almost identical. By keeping the two Departments apart, Government is incurring an additional expenditure of Rs. 2 lakhs per annum unnecessarily on staff. Since the Director of Agriculture is not longer designated Commissioner for Food Production, the Department of Food Production may cease to exist as a separate entity and be merged in the regular Agricultural Department, with saving of a recurring expenditure of Rs. 2 lakhs a year.

The Estimate Committee of the Legislature suggested in 1956 a reduction in the number of lorries and jeeps under the 'lorry scheme' of the Department. Now that the distribution of fertilisers has been entrusted to the State Marketing Society, the proposed reduction in the number of lorries and jeeps should be effected forthwith.

We understand that at the time of States Reorganisation, machinery, such as Vans and Boring machines, etc., which should have come with the staff from the ex-States of Bombay, Hyderabad and Madras, was not allotted. As a result there are drivers and cleaners in the Department without vehicles and machines like drilling machines, etc. A review of this service staff should be made and posts for which there is no corresponding work or equipment should either be reduced or diverted elsewhere.

Machinery connected with Lift Irrigation Scheme of the Ex-Bombay Government, transferred to the State on the eve of States Reorganisation, is lying idle in the Bijapur District. The machinery has neither been used, nor disposed of, for the last five years and yet technical and non-technical staff is being continued to look after this idle machinery. The machinery, which is apparently of no use, should be disposed of forthwith, and the staff, which is being paid without any specific work, should be disbanded.

The Tractor and Bulldozer Section in the Department has been running at a loss. The number of serviceable tractors is 40 and of bulldozers is about the same. An expenditure of Rs. 10.49 lakhs is being incurred on this section with 12½ per cent subsidy from the Central Government. The receipts in 1959-60 from this section were about Rs. 8 lakhs only. The Department claims that 29.495 acres under the First Plan, and 40,520 acres under the Second Plan, were reclaimed for cultivation through the use of bulldozers and tractors. We are not satisfied with the results of the work of this organisation. After nearly 15 years that it has been in existence, it is still working at a loss. The Estimates Committee in 1956 recommended that this section should be self-supporting; but losses continue to be incurred. There is considerable leakage and wastage of resources in the working of this section the prevention of which should make it self-supporting, if not remunerative. But we do not entertain any hope that this will be done and apprehend that the losses will continue. We therefore recommend that this Section be closed down straightway and that serviceable tractors and bulldozers be distributed to Co-operative Societies on loan basis. It would be better, in future, if manufacturers of bulldozers and tractors are encouraged by the Government to hire out the machines through Co-operative Societies or Associations of Farmers. Such of the Co-operative Societies and Associations as may wish to own these machines may be helped also by loan assistance or subsidies.

Under the Soil Conservation Schemes, an area of 2,79,204 acres is stated to have been contourbunded in the ten years from 1951-52 to 1960-61 at a total cost of more than Rs. 10 crores. The amount is recoverable from the beneficiaries. It is learnt that the bunding has not been done scientifically. As the amount to be recovered is very large, effective steps should be taken to see that the loan is repaid regularly and that no part of it becomes irrecoverable.

An expenditure of Rs. 8.7 lakhs per annum is incurred on Seed Farms in the State. Seed Farms are expected to be self-supporting in 3 or 4 years. But many among the existing forms are running at a loss. The reason for this seems to be that farms have been established in places which are not fit for cultivation and where there is no assured supply of water. As the loss from this source is likely to increase if the farms are not worked efficiently, we suggest a review of the working of these farms by an Official Committee and the closing down of those which are found to be uneconomic.

In regard to the Food Production schemes of the Department, it is claimed that, apart from improved fertility of soil and increased land values as the indirect result of the schemes carried out, there has been an increase in food production directly of the value of Rs. 16.71 crores. This is an exaggeration, since food production in the State has not increased progressively but actually declined in the Second Plan. The note relating to Food Production given in the Appendix shows how unreliable the Departmental estimates are.

Agricultural farms of the Department should, if they are to serve as a model to the Cultivator, be efficiently and economically run. Actually the farms are now working at a loss with all the facilities that the Department as a Government organisation commands. Such farms cannot certainly serve as a model. Since a considerable amount of expenditure is incurred on Agricultural farms, it is necessary to have an objective assessment of their working made by an impartial agency.

Since Community and National Extension Service Blocks have been in operation and expenditure is being incurred by them to improve agricultural production by the adoption of intensive methods of cultivation, there should be progressive reduction in the staff and expenditure for the same purpose incurred in the Agricultural Department. The Department should confine itself in future more largely to Research and Education and leave Extension work to the Blocks and their staff.

The Department's Third Plan has 140 Sections, of which 70 relate to Research. Fifty per cent on research is borne by the Central Government. On the face of it, the research programme of the Department is too ambitious. There is also overlapping and duplication of staff and expenditure. The department agrees that research under certain commodity schemes could be clubbed together with common staffs at field levels. Apparently the schemes have been drawn up without due regard to real requirements or economy.

The Department is running 27 permanent Research Stations in the State, at an annual cost of Rs. 18.15 lakhs. It has set up further a number of minor stations for research in particular agricultural commodities, at the instance of the Commodity Committees at a total cost of Rs. 38.30 lakhs. In addition, the Agricultural Colleges at Hebbal and Dharwar are also doing research work as part of their work. At the Headquarters, the Department has four scientific divisions for Agriculture, Chemistry, Economic Botany, Agricultural Entomology and Plant Pathology with Agronomy to be added on from this year, the expenditure on which exceeds Rs. 5 lakhs per annum. All this is really research work in one form or the other, on which the State is now spending about Rs. 60—65 lakhs a year. Over and above this, some part of the research is entrusted to research stations in the neighbouring states, as for example, wheat research schemes at Mahabaleswar and Cotton Wilt Scheme at Poona, for which the State is making a contribution.

We tried to find out the results achieved for all the money spent on research. The Department naturally makes it out that the maximum benefit has been achieved. The Estimates Committee of the Mysore Legislature which examined the working of the Agricultural Research Wing of the Department has found, in its 4th Report (1956), as follows—(1) In regard to the Agricultural Chemistry and Economic Botany Sections, no practical results have been secured. (2) Though some intensive work has been done in the Entomological and Plant Pathology Sections, the results have not been carried into the ryots' fields. In view of this evaluation we doubt the wisdom of expanding these Scientific Sections of the department at a cost of Rs. 17.36 lakhs during the Third Plan period. The Department is, we feel, too much in a hurry to expand and incur expenditure without taking steps to evaluate the work done and to consolidate it.

In regard to regional research stations, the Estimates Committee found that the Research Station at Hiriyur was a failure, not being suitably located for effective research work being turned out, and recommended its closure. But no action has been taken on this recommendation. Similarly, the Committee suggested the closure of the Research Station at Naganhalli as there is lack of water facilities and since the work in this Station could be done better at the Mandya Station. The Committee further opined that the Research Station at Hagari was a duplication and proposed its closure, since there was a station at Siriguppa where the required research can be carried on. The two regional farms at

Yelaware (Arasikere Taluk) and Hardanahalli (Chamarajanagar Taluk) were proposed to be closed down as no useful work was being done, and as there was no point in having so many farms in the State. These farms are nevertheless being continued. The very object of research would be frustrated if the Department tries to start and run too many research stations with inadequate personnel and resources. Too much money is being spent and too little is being achieved at these stations. It is moreover a misnomer to call these research stations, since they have for all practical purposes been converted into farms with large extents of land attached to them, and much expenditure is incurred on labour, manure, and cultivation charges. In the past research was carried on in the Central Laboratory attached to the Director's office at Bangalore to which samples from different localities relating to different agricultural commodities used to be taken for testing and experimentation and the results of research would be tried out in ryot's fields. This is in fact what should be done, instead of spending money on lands and cultivation charges, in the name of research. Many of the research stations have lost that character and become experimental farms which we feel is quite wrong. Research being thus diffused, and being extended to every conceivable commodity, has become a costly but futile pursuit on which public expenditure is being incurred without tangible results. This is sheer wastefulness. A new approach is called for in view of the recent statement by the Union Food and Agriculture Minister that agricultural research has not reached the cultivator and has not benefited him so far. We rather agree with the Estimate Committee 1956 in their really worthwhile recommendation that there should be only three Regional Farms for Research, Demonstration, and Propaganda, of new and improved varieties and strains. It should be possible with the concentration of the available resources, experience and departmental talent in these three regional farms, to intensify research and at the same time spread the results of research quickly and effectively to the cultivators' fields. We are entirely opposed to the continuance of the numerous and small research stations and farms and recommended that (1) the minor research stations, the expenditure on which is wholly a waste, be closed down and (2) research work be in future related to the demonstration and propaganda work done at the field level by the Development Blocks and carried on in three or four regional Research Stations to be located at suitable places in the State. Research work may also be integrated with agricultural education. We suggest that the two Agricultural Colleges in the State at Hebbal and Dharwar take over the Research work from the Department, and that two more regional farms be started and run by the Department, one at Mangalore and the other somewhere in the Shimoga or Hassan Districts, for research on problems connected with the valuable and doller-earning agricultural commodities grown in the Malnad and in the Coastal regions respectively.

In the Third Plan, the Department has a scheme for starting more Agricultural Research Stations in the State. We feel that until the whole position with regard to the working of the existing Research Stations is reviewed, no new research stations should be started. Any research work to be done under the Third Plan should, we consider, be done in the existing Research Stations, as far as possible.

A controversy has arisen over the Department which should take up the Fruit and Vegetable Research Schemes included in the Third Plan under Agriculture. The department of Horticulture claims jurisdiction over these schemes. But the Director of Agriculture contends that the Horticulture Department should be concerned only with Parks and Gardens and that it is not technically in a position to take up research schemes. Our own view is that the Department of Agriculture is the more appropriate agency and is better equipped, for carrying out the research schemes in question and that therefore the schemes should be entrusted to the Agricultural Department.

We must, however, make a reference here to the prevailing public opinion in the country regarding the usefulness of Agricultural Research. It has been admitted at the highest Governmental level that agricultural research has failed as a field phenomenon to influence yields and to step up production and that the 'Ivory Tower' mentality in research is responsible for this. We should like the Department to reduce the number of research schemes and concentrate upon more urgent and real problems which have a practical effect and bearing on agricultural production in the State. It is, in our view preferable to have fewer schemes which are well handled than to disperse the resources and energies of the Department over a large number of them merely for the sake of effect. We would even suggest effective Inter-State research in specific matters of common interest by pooling the resources and talents of Agricultural Departments in the neighbouring States. State Agriculture in the past has greatly benefited by the results of research work done at Coimbatore. The evolution of C.S. Variety of paddy and CO 419 variety of Sugarcane are instances in point. The Mysore Agricultural Department in the past did noteworthy work in discovering an effective method for combating 'Kole Roga' but for which areacanut cultivation in the State should have been wiped out. In our considered view research schemes to be taken up by the Department should be within the competence of the Department and related to practical and urgent problems of agriculturists, the results of which are likely to become available within a reasonable time.

The establishment of a Rural University in the State on the model of the Land Grant Colleges in the United States has been mooted. This is a controversial subject. The working of Land Grant Colleges in the U.S.A. is not beyond doubt and difficulty. However, it would be better before taking any decision in the matter for the Government to watch the results of the working of the Rural University established in the U.P. We, however, advice that the scheme need not be considered during the period of the Third Plan.

The Department is running Agricultural Schools with one and two years' Courses. We had no opportunity of watching the working of these schools. But the public opinion is that the schools are not serving the intended purpose. It is not also known what becomes of the pupils trained in these schools. We are generally of the view that this type of education is neither effective nor useful in the present context of agriculture. If they are to be continued at all, they may be converted as Training Centres for Gramasevaks, with a corresponding reduction in the existing number of such training centres. If there is any difficulty in this being done, the Schools may be closed down.

The entire working of the Agricultural Department should, we feel, be carefully reviewed, and the staffing pattern examined, in the light of the transfer of Extension activities to Village Level Workers in the C.D. and N.E.S. Blocks. We are of the view that practically every agricultural schemes is capable of being implemented through the extension staff and Village Level workers. The staff in the Agricultural Department should be reduced to avoid overlapping of work in the Department with that done in the Blocks. For instance, Seed Farm Staff, Pest Control Staff, Fertiliser Distribution Staff, etc., are intended for the work that is being done already by the Block staff. Special establishments for these various items in the Agricultural Department are a duplication and should be retrenched. Further the posts of Inspectors for commodities like pepper, cardamom and cashewnut are entirely unnecessary and we recommend their immediate abolition.

In regard to the 'Package Deal' Scheme introduced in the Mandya District, we consider that the proportion of expenditure on the staff is very high. Though the scheme is intended for intensive work to secure a significant rise in agricultural production, there is the danger that the scheme becomes too staff-intensive and defeats its own object. Even with the intensive work done in the C.D. and N.E.S. Blocks over a decade the expected increase of agricultural production has not materialised. The same mistake should not, we feel, be repeated under the much costlier Package Deal Programme.

One other important problem is the proper integration of the Scientific and Extension Staff. We doubt if it is necessary to have officers at the State level for schemes like Japanese method of cultivation. As we have already pointed out, the scientific work of the Department under Research should be dovetailed into Extension programmes. We trust that these aspects would be carefully examined and that the working of the Department would be placed on a more effective basis with a view to the results of scientific work being made available to the ryot.

At present the Director has two Joint Directors to assist him on the Research and Extension side respectively. While there may be a Joint Director for Research work, the extension side of the work may be taken over by the Director himself and the post of Joint Director for Extension abolished. There are four Deputy Directors, one for each of the Agricultural Divisions in the State. The number may be reduced to three by a redistribution of work of the existing officers. Under the Deputy Director are the District Agricultural Officers, one for each District, and below them are Agricultural Extension Officers, numbering 170 for C.D. and N.E.S. Blocks. In the non-block areas, there are 100 Agricultural Demonstrators. We consider that one Extension Officer for each Taluk, including block and non-block areas, would be sufficient and that the Field Extension Officer of the Block may lock after the work in the non-block area also. At the lowest level, there are 1,700 Village Level Workers at the rate of 10 for each C.D. Block and 1,646 Agricultural Fieldmen. In regard to Village Level Workers, we understand that though 80 per cent of their 'Job Chart' is made up of agricultural duties, the chart is not being adhered to, and that agricultural work is not being given proper attention. For the Agricultural Fieldman there is no workload in terms of specific duties. He has to tour not less than 17 days in a month and halt 10 days outside headquarters. It appeared on the very face of it that 1,646 Agricultural Fieldmen was far too large a number. We went into the matter and obtained a statement of distribution of the fieldmen in the various sections of the Department as noted below :—

	Section	*Number of Fieldmen*
1.	Research	247
2.	Soil Conservation	197
3.	Education	153
4.	Extension	702*
5.	Development Scheme	234
6.	Seed Farms	56
7.	Cost of Cultivation	57
		1,646

* This includes 330 Gramsevaks deputed to Planning and Rural Local Administration Department.

The above figures are revealing. Even at the rate of one fieldman for a Taluka on the Old Mysore scale, and one for two taluks on the Bombay scale, one hundred and seventy fieldmen would be sufficient for work in the non-block areas in the State. The footnote shows that 330 Gramasevaks have been deputed to the Planning and

Rural Local Administration Departments. Two hundred and thirty-four fieldmen are shown against Development Schemes and 247 against Research schemes. The specific work done by them and the necessity for so large a number of fieldmen for these activities are points requiring investigation. There was a noticeable reluctance on the part of the Department in furnishing the figures called for in this behalf. The Department has also failed to give us a convincing explanation about the need for initially recruiting such a large number of fieldmen and for continuing the staff without specific duties. We feel that the entire matter is sufficiently serious to be enquired into immediately by a high-ranking Government officer. If this huge establishment cannot be properly employed for specific duties in the Department itself, it would become necessary to absorb them in other Departments for duties for which they may be found fit.

The number of Superintendents and Head Clerks in the Director's Office is far too many and may be reduced from 20 to 15. There are 17 posts of Stenographers in the Department, of whom 6 are in the Director's Office. It would be sufficient to give one Stenographer, each to the Director and to the Joint Director. The remaining 15 posts may be reduced to the scale of Typists.

We see that there are 1,584 Class IV Servants in the Department. The category includes Peons, Watchmen, Sweepers and Attenders. Out of this number, 60 are in the Director's office, and the balance 1,524 working in subordinate offices, of which 745 relate to non-Plan schemes and 779 to Plan Schemes. In our view the number of Class IV servants in the Department is inordinately high and should be drastically reduced. We would suggest a 50 per cent reduction to start with. The position may be reviewed and suitable reduction made in the several offices in the Department. The tendency to ask for separate staff, including Class IV servants, for each scheme is particularly noticeable in this Department and proposals for staff put up by the Department require to be carefully scrutinised.

28. *Department of Horticulture.*

3.134. The Estimates Committee of the Legislature in 1956 recommended the marger of this Department with the Agricultural Department. In other States, horticulture is fully integrated with agriculture and there is no separate Department for gardens and parks. The recent trend in the State has, on the other hand, been to expand the Horticultural Department and to model it, from the State down to the Taluka level, on the lines of the Agricultural Department. The expenditure on the Department has now reached the level of Rs. 40 lakhs a year. It has to be seriously considered whether the State can afford to spend so large an amount on ornamental gardens and parks. Much of the expenditure is upon staff. A good part of the work in the Department is now done by temporary employees engaged on daily wages. But the tendency is to convert the daily rates into monthly-rated staff on a more or less permanent footing.

This Department is understood to be treated as an Industrial establishment under the Factories Act. Care should be taken therefore to see that only the minimum number of coolies required are engaged from day to day and that the terms of employment should be such as not to entitle the casual labour to claim the benefits and concessions due for regular employment.

We have considered the role that this department should play in future and are of opinion that the Department should confine itself to the maintenance and upkeep of public gardens and parks at Bangalore. The proposal to extend the Lalbagh Gardens by acquiring costly nurseries and properties round about is entirely unnecessary for the present at least and should be dropped. It would be sufficient if the Department concentrates on the proper maintenance of the existing garden and the areas already acquired. We have already given our opinion that Fruit and Vegetable Research Schemes should be handled by the Agricultural Department. The work relating to the Nurseries and Horticultural Farms in the State, and the development of horticulture under the Tungabhadra Project, may be taken over by the Agriculture Department. The Zoo at Mysore may be transferred to the control of the Veterinary Department and the administration of the Hill Stations entrusted to the Public Works Department. The activities of the Horticultural Department may thus be confined to the maintenance and upkeep of parks and gardens, *viz.*, Lalbagh, Vidhana Soudha Gardens, Cubbon Park, the

Residency Gardens, Gardens at Brindavan and in the official residences of Ministers, Deputy Ministers, Speaker, Chairman, L.C., etc. The maintenance of gardens in the premises of other Government offices, Hospitals and other public institutions at Bangalore, and also of public parks and lay-outs in towns and cities, should be left to the respective departments of Government and Local Bodies.

In regard to the expenditure on public parks and gardens, we feel that the sum of Rs. 73,139 incurred on the maintenance of gardens around Vidhana Soudha and the Residency is excessive. An expenditure of Rs. 40,000 is being incurred by the Department on the maintenance of 16 gardens at the residences of Ministers, Deputy Ministers, etc. We recommend that the Vidhana Soudha and Residency Gardens be clubbed togeher and that the expenditure on maintenance of Vidhana Soudha Garden itself be limited to Rs. 60,000 a year. Similarly, the expenditure on the minor gardens at the official residences of the Ministers be subject to a maximum limit to be fixed. Gardens in all other official residences in the State should be maintained by the occupants concerned at their own cost.

29. *Department of Animal Husbandry and Veterinary Services*

3.135. According to the Livestock Census in the State (1956), there are 9 million cattle, 2.6 million buffaloes, 4.1 million sheep, 2.6 million goats, 7.7 million poultry and 3 million other livestock. The State has a network of 516 Veterinary institutions. There is at present 1 Veterinary institution for every 23,000 heads of bovines, which is far ahead of the standard fixed by the Royal Commission on Agriculture. In our view, the Department should go slow about starting new institutions but should concentrate upon upgrading and improving the working of existing ones. We say this for the reason that out of 516 Veterinary institutions, only 190 are manned by qualified Veterinarians and the rest are being looked after by stockmen. This is not a satisfactory position and has to be rectified by training up a large number of persons in the Veterinary Colleges at Hebbal.

The more important work of the Department should be to improve the breed of cattle and their milking capacity.

We are glad to note that the department has taken up Dairy and Milk Supply Schemes in Bangalore and at Hubli and that the scheme is proposed to be extended gradually to other places in the State with a population of over a lakh. We understand that the scheme can be made not only self-supporting but remunerative also.

The Mysore Serum Institute is a pioneer in the field of biologicals and has been meeting the entire needs of sera for the control of communicable and contagious cattle diseases, of the State and of the other States also.

The Director is assisted by a Deputy Director (Head-quarters) and a Deputy Director (Animal Husbandry) in-charge of the Key Village Scheme. The latter post was created by upgrading the post of the Special Officer for the Key Village Scheme. There is also a Livestock Expert in charge of Farms. We see no need for two Deputy Directors in the Department. There is also no necessity for an officer of the status of Deputy Director to be in charge of the Key Village Scheme. In the circumstances the post of Deputy Director, Animal Husbandry may be abolished and the work relating both to Key Village Scheme and Livestock Farms be combined at the State level under an Assistant Director with the designation of Livestock Officer. The post of Statistician in the Directors Office may be transferred, along with the work, to the State Statistical Department.

Government have referred for our opinion the question of creating an intermediate scale of Rs. 350-800 in this Department and earmarking this scale for posts which require higher technical knowledge. Even as it is, a number of appointments are being created from time to time in the Department to accommodate persons who are considered to be specialists. We are opposed to the creation of special grades and posts for the benefit of particular persons. The posts in the Department do not seem to call for any high degree of specialisation. The existing grades in the Department appear to be quite adequate and the creation of an intermediate scale is neither necessary nor desirable. There is a tendency for the Department to be split into two, and possibly three, autonomous sections, *viz.*, Veterinary, Live-stock and the College which should be firmly checked and put down. In our opinion this is a very undesirable trend. On the other hand it would be necessary, for the proper working of the Department, that the three aspects of departmental work are harmonised and integrated.

The Fisheries Department was a part of the Animal Husbandry and Veterinary Department for a long time. It was constituted as an independent department after States' Reorganisation in view of the possibilities of developing marine fishing. Without prejudice to the development of marine fishing, we feel that the Fisheries Department need not exist as a separate entity and could well combine for administrative purposes with the Department of Animal Husbandry.

Forty per cent of the Departmental expenditure is on Veterinary Institutions and Farms and 25 per cent or Rs. 18.85 lakhs per annum is spent on 'breeding operations'. Since the return from the breeding Farms is Rs. 7.54 lakhs per annum, there is a net loss of Rs. 11.31 lakhs on this account only. A Committee was constituted by Government in 1959 to examine the working of the Live-stock Forms and to suggest ways and means of improving their working so as to make them self-supporting. We understand that the Committee has in its Report found that none of the Farms has achieved the object for which it was constituted and that the number of bulls sold is negligible and of poor quality, some of the farms not having enough bulls to replace their own stock. Nearly Rs. 13 lakhs out of Rs. 18 lakhs a year spent on these farms is stated to be under Contingencies, the feeding cost itself being as much as Rs. 6—7 lakhs. The following are stated to be the reasons for high cost on feeds, *viz.*, (1) failure to maintain the ratio between productive and unproductive animals (2) Late productivity of females (3) Low annual production of milk per animal (4) Maintenance of unproductive bulls for unnecessarily long periods and (5) Low production of fodder per acre. It is gathered that even though enough extent under irrigation exists, no attempt has been made to increase fodder production and some of the farms are purchasing fodder worth thousands of rupees (6) Employment of superfluous labour on the Farms and (7) Irregular and improper feeding of animals. Also, it is understood that a high mortality rate, failure to practice culling, and non-maintenance of records of pedigree and performance and of cost accounts, are contributing to unnecessary expenditure. The Live-stock Farms in the State, with 67,000 acres of land and an annual expenditure of Rs. 18 lakhs, should if properly run be not only self-supporting but profitable also. Our firm view is that if the Farms do not become self-supporting within the next 2-3 years, they may be closed down and that till the existing Farms are managed well, no new Farms need be started in the State.

The Amrithmahal Section of the Department has become moribund. 60,000 acres of lands, of which a good part is of excellent quality and fit for raising valuable food crops, are kept as grazing ground for 6,000 heads of cattle to benefit a handful of persons. The Section is archaic and wasteful of the State's economic resources. It should, we consider, be scrapped and the vast extents of land lying gratuitously waste turned to more useful purpose for the benefit of landless persons in the State.

30. *Fisheries Department*

3.136. This is a new Department which was created in 1957. In our opinion there is no need for a separate Department of Fisheries. It may form part of the Department of Animal Husbandry under an officer of the grade of Deputy Director. According to the Director, the present staff in the Districts should be considered as reconnoitering staff engaged in the survey of fish resources and potentialities of the State. In our view, however, the Department should concentrate upon Marine fisheries and fish resources in the Reservoirs and Major tanks in the State.

The post of Assistant Director (Class I) is vacant. This post need not be filled up, as there is not sufficient work for a senior Gazetted Officer in addition to the Dircetor at the Headquarters. There are two permanent and 11 temporary posts of Assistant Directors. While the Assistant Directors for Coastal areas are necessary for developing marine fishing, the strength of the officers for developing inland fisheries, particularly in the Shimoga Division, is high and should be reduced.

Only about 350 tanks out of the 5,000 Major tanks in the State have been surveyed so far. We feel that the type of work is being done is not of any benefit either to the people or for the development of fishing industry. The Inspectors employed on Survey work are mostly untrained and not sufficient work is being done by them. The Department should consider giving Village Level Workers some training and entrusting the survey work to them, instead of employing special staff for the purpose.

Nearly one lakh maunds of salt are issued to fishermen annually for curing and preservation of fish, in the absence of refrigeration facilities on an adequate scale. Supply of salt is being subsidised and a bag of salt costing Rs. 2 is issued to fishermen at Rs. 1.25 nP. Our enquiries show that there is scope for wastage and fraudulent practices in the distribution of salt by the Department. We suggest that the Departmental distribution may be replaced by supply through Co-operative Societies with a reduction of the subsidy to a rupee per bag of salt

31. *Medical and Public Health Departments*

3.137. The two Departments are dealt with together for the reasons that the accepted policy is to integrate the curative and preventive medicines under one organisation. While the policy of amalgamating the Medical and Public Health Departments was accepted long ago, it is being implemented tardily. Sufficient time has now elapsed since the policy was decided upon and experience has also been gained in giving effect to it. There is considerable overlapping of functions and duplication of staff in the two Departments, as a result of the delay in effecting their integration. We reiterate the basic recommendations of the Bhore Committee to have a single unified authority at the head of the two Departments in the interest of co-ordination of work and of economy in expenditure. The process should be accelerated and completed as early as possible.

The Department is at present staffed as follows :—

(exclusive of Medical Colleges):—

Surgeons	67
Assistant Surgeons	1,092
Nurses	843
Compounders	568
Midwives	527

The clerical staff in the department consists of 10 Managers, 379 Clerks and 47 Typists. The number of Class IV servants is 224. We are advised that this staff is inadequate for the growing needs of the Department and on the basis of staffing-pattern recommended by Major Bhatia in respect of Medical Colleges in the State.

The most important cause of ineffective expenditure in the department is the large percentage of posts of doctors in the rural areas which remain vacant. To some extent the shortage may be made up by revising the curricula of studies in the Medical Colleges and making service in a rural hospital a part of the curricula of studies in the Medical Colleges. Further, all House-Surgeons who work in the rural areas may be given stipends.

The scheme of Honorary Surgeons in Government hospitals has been in operation for some time. In our view employment of Honorary Surgeons on a larger scale will result in improved medical facilities at considerably less cost to Government. In working this scheme and securing the services of eminent doctors, it is necessary to see that there is no interference with the internal administration of hospitals, like admission to wards, by them.

We have considered the question of allowing private practice by doctors in Government service. There is a strong public feeling that doctors are apt to neglect their work in the hospitals and pay more attention to their own patients. When they take up service under Government they should devote their entire attention in giving medical relief to those who resort to hospitals. We strongly recommend that private practice by Medical Officers in charge of Government hospitals, dispensaries be strictly prohibited.

The expenditure on Hospital dietary calls for close watch and strict control to reduce possible wastage and fraudulent practices. We suggest, as a matter of policy, that hospital necessaries be purchased through the co-operative societies and that the milk requirements of Hospitals be obtained through Co-operative Milk Unions wherever they exist. Since there were large scale defaulcations in Medical Stores in the past, it is necessary that the officer to be posted in-charge of it should be a person of known integrity. The Medical Stores cater to the requirements of Medical, Public Health and Veterinary Departments. It is appropriate to place the organisation under an independent authority. We suggest the constitution of a Committee with the Directors of Medical Services, Public Health and of Animal Husbandry and Veterinary Services as Members, and the Chairman Stores Purchase Committee as President, in the interests of better administration of Medical Stores and of closer liaison between the same and the Stores Purchase organisation.

The S.M.P. scheme in the Belgaum Division is not working satisfactorily. We recommend that it may be wound up.

Of the 324 Primary Health Units in the State, 149 are of the Government of India pattern and 175 are of the Mysore pattern, the cost of former type being Rs. 16,000 p.a. and of the latter Rs. 11,000 p.a. It is desirable to have some uniformity with regard to the pattern of Health Units in the State. We recommend the adoption of Mysore pattern, which is more economical and is not less efficient.

There are 91 Family Planning Centres functioning in the Mysore State. Most of these Centres are in urban areas. The most serious problem facing the country is over-population. Unless population is regulated, any amount of expenditure on Planning will not succeed in raising the standard of life and economic well-being of the people in the State. A positive population policy should be evolved and a phased programme drawn up to give effect to it. If this is not done, the expenditure incurred on Family Planning Units in the State would be infructuous and a waste. Madras State has set definite targets of reduction of population to be achieved during the Third Plan. We suggest similar action in the State and its coverage by Family Planning Units, with particular attention to rural area.

There are three Deputy Directors at the Office of the Director of Public Health. Of these the post of Deputy Director of Administration is superfluous, as there is an Administrative Headquarters Assistant to the Director. In our view the Deputy Director is more useful as a Regional officer than for doing administrative work in the Central office. The post of Deputy Director (Administration) may be abolished.

There are 19.1 N.M.C. Units, at the rate approximately of one for each District and one for the Bangalore Corporation. The scheme is sponsored and assisted largely by W.H.O. and has a schematic pattern of expenditure and technical operations. In our opinion there is scope for reduction in expenditure in regard to the categories of employees called Surveilance Workers and Surveilance Inspectors. The work is non-technical and simple, and could well be entrusted to the

Village Level Workers or Village Officers with small remuneration. The supervision may be done by the local Revenue or the C.D. staff and the special staff employed for this purpose may be abolished.

32. *Sericulture*

3.138. The post of Deputy Director is vacant and the department proposes to fill it up. We suggest that the post remain vacant during the Third Plan.

There are seven Assistant Directors, three in the Mysore District, two in Bangalore District and one each in Tumkur and Kolar Districts respectively. These officers are in charge of Sericultural Farms (26) and grainages (35). There are Sericultural Assistants (Gazetted) directly in charge of Central Farm and the Central Grainages and they attend to the work relating to seed legislation also. The Department consists of six Divisions and each Division has one thousand licensees. Since there are only five Districts where the Silk industry is carried on, the number of Sericultural Divisions may be reduced from 6 to 5. At a lower rung there are senior Sericultural Inspectors and below them are Inspectors in charge of grainages. There is no need for two separate grades of Senior Sericulture Inspectors and Sericulture Inspectors. The two may be combined into a single running grade.

The Director's office has five sections, *viz.*, (1) Technical Section, (2) Development Section, (3) Establishment Section, (4) Audit Section and (5) Filature Section. The total number of receipts for this office was 27,550 in 1960-61. This works out to a daily average of 100 receipts. At present the work load in each of the five sections is 5.32, 3.22, 2.91, 1.94, 2.92 receipts a day. The performance in the Audit Section is particularly poor. The work-load is decidedly low for all categories of staff in the Office. The general work-load formula of 10 receipts per day may be applied to this and the subordinate offices in the Department and the number of surplus clerks retrenched. There are two posts of Managers. The post of Manager at Kollegal may be reduced to the grade of Head Clerk.

Measures for economy have been adopted in this Department already by stopping (1) the payment of bonus to aided graineurs from 1st April 1961 and the

(2) supply of grainage appliances, supply of foreign race layings and supply of disease-free layings to registered rearers. A sum of Rs. 1,20,000 has been saved under the above items.

The silk Industry in the State is providing subsidiary occupations and means of livelihood to more than two lakhs of families in the State. In the last five years the area under mulberry has increased from 1.55 lakhs acres to 1.85 lakhs of acres and production of silk has increased from 17.5 lakhs of pounds to 19 lakhs of pounds. At the same time the percentage of superior quality silk to total production of silk has increased from 6.6 per cent to 22.5 per cent. The Departmental receipts have also increased from Rs. 3.5 lakhs in 1956-57 to Rs. 4.1 lakhs in 1959-60. The expenditure in the Department is Rs. 15.5 lakhs.

The weak-spot of the Department is the Filatures. Out of 24 lakhs of pounds of silk produced in India, 19 lakhs are produced in Mysore of which two lakhs of pounds are filature silk. The cost of manufacture of filature is higher than the market price and we understand that the Department is trying to raise the production by modernisation of machinery and by the addition of a throwing and twisting plant. The filature industry is passing through what may be called a crisis. We are discussing the economics of this industry in a later chapter. If the industry cannot be made self-supporting ultimately, the only alternative would be in our opinion to nationalise it in the interests of the rearers.

33. *Department of Mines and Geology*

3.139. The Department is engaged in carrying out (1) surveys of mineral resources in the State and (2) Research. But the work relating to the utilisation and marketing of the minerals, Iron, Manganese, Chrome, China Clay, Graphite, etc., is entrusted to the Board of Mineral Development. The Department was reorganised after the integration of the Bellary District and State-Reorganisation, by the constitution of Divisional Offices at Bellary, Dharwar and Gulbarga, for attending to the survey of mineral resources and administration of mines and mining leases in the respective integrated areas. The Revenue (other than dead rent), and expenditure, in the Department, were Rs. 30.00 lakhs and Rs. 3.88 lakhs respectively, in 1960-61.

The main work in the Department relates to (1) mineral survey and prospecting, (2) engineering problems connected with the selection of sites for irrigational dams, etc., (3) inspection of mining areas under leases and licenses. About 450-500 square miles of area are taken up for mineral survey in a year.

At the Headquarters there is a Deputy Director who is incharge of Plan Schemes. At the Divisional level, there is a Geologist (Gazetted) and 2—3 Assistant Geologists (non-gazetted) for Survey and prospecting.

The administration of minor minerals is at present entrusted to the revenue and forest Departments in the Bombay Karnatak area. In the interests of uniformity, the administration of minerals, including minor minerals in the State, should be centralised and entrusted to the Department of Mines and Geology. At the same time it is necessary to strengthen the Divisional Organisation in the Department to prevent leakage of revenue, particularly under minor minerals.

In regard to the Board of Mineral Development, it is ascertained that it has a fleet of 100 trucks and that the cost per running mile per truck is 14 annas. The high running cost is stated to be due to the trucks running empty on the return journey. Instead of running the trucks empty on the return journey, the Board may consider accepting private loads, whereby the expenditure on transport may be reduced. It was brought to our notice incidentally that while the Board had invested nearly a crore of rupees on trucks for carrying ore, the vehicles were entrusted to inexperienced and reckless drivers and that as a result the condition of trucks had become deplorable and considerable damage is also caused to the roads and bridges over which these vehicles are driven. Apparently selection of drivers is not being made with sufficient care. Inexperienced, untrained or condemned persons should not be entertained as drivers for Government Vehicles. We suggest that the drivers already appointed by the Board be screened and only those who are competent and have a clear driving record be retained. Persons who have sufficient driving experience and are properly accredited alone may be appointed as drivers. They may, if necessary, be given a training in simple automobile repairs. Since transport cost is a big item of expenditure in the transport of ore, the Board should, we suggest, consider the alternative course of calling for tenders from private lorry-owners and entrusting the transport work to them at competitive rates, instead of making further heavy investment on the purchase of more trucks and running them at a heavy recurring cost.

We raise a fundamental point in regard to export of ore abroad. The cost of transport of ore from the mining point to the port constitutes a major item of expenditure. A suggestion has been made that export business could become more profitable, and afford greater employment opportunities, by setting up foundries in the mining areas for reducing ore into metal and exporting metal instead of ore. This suggestion should be earnestly considered by the Board when power becomes available. This possibility should however be kept in view by the Board in entering into future export commitments.

34. *Hydro-Electric Construction Projects*

3.140. The ratio of administrative cost to total outlay in the Hydro-Electric Construction Projects is stated to be 7½ per cent. This is too high considering that most of the work, such as erection of machinery, is done on contract.

In Madras, construction of Hydro-Electrical works is entrusted to the Electricity Board. There is already a Construction Chief Engineer in Mysore Electricity Board. The Board is therefore in a position to take over the work relating to the construction of Projects also. We suggest that the Madras pattern be followed and that the construction of power projects in the State be handed over to the Mysore Electricity Board, winding up the separate Office of Special Chief Engineer for Hydro-Electric Projects. This would incidentally give the Electricity Board an added interest for the early completion and economical execution of power projects, since the projects after completion have to be taken over by it. This suggestion may, however, be given effect to after the first stage of the Sharavathi Valley Project is completed.

For the Sharavathi Valley Project, which is the biggest power project in the State, there are two Chief Engineers, a Chief Engineer for the Civil part of the work at Jog, and the Chief Engineer, Hydro-Electric Projects for the Electrical portion at Bangalore. Besides the two Chief Engineers, there is an Administrator in overall control of the project. We examined the position. We reproduce below the interim recommendation which we made to the Government in this behalf :

"In the Committee's opinion the successful and speedy execution of a large project demands unified control in a single executive officer. The existence of two Chief Engineers in the Sharavathi Valley Project must therefore in itself lead to, diffusion of responsibility if not to conflict. In similar power projects elsewhere, *viz.*, Koyna, Kundah and Chambal, there is only one Chief Engineer with overall control over the Civil and Electrical portions of the Project. The Engineering Officers of the Sharavathi Valley Projects consulted by the Committee are also in favour of the Project being placed under a Chief Engineer, preferably of the Electrical Department. The following extract in this behalf relating to the Chambal Project puts the position in its proper perspective.

"In the Chambal Project fortunately the whole project is under a single officer, namely both the Civil and Electrical Works are under one Chief Engineer. This has been very great advantage and has led to economy and co-ordination. It is in the interest of smooth working of a Project that all its activities are under one Technical Authority, with branches working under him with adequate delegation of powers. The Chambal Project, Madhya Pradesh, has been very lucky in this respect and the results are there for anybody to see."

From the point of view of economy and in the better interests of the Project, there is a clear case for reducing the number of Chief Engineers for the Sharavathy Valley Project from two to one.

In regard to the overall control of the project by the Administrator, the Committee's opinion is that, while there may be some need for a Technical Advisor for a project of this magnitude the imposition of a higher technical authority upon the Chief Engineer would not only be a redundancy but must result in the latter's position being compromised and reduced practically to that of a subordinate Engineer. The Committee understands that in other similar Projects in India, there is no Chief Executive authority above the Chief Engineer. If the Administrator is to effectively control the project and not merely exercise remote control over it, he really becomes the Chief Engineer and logically then there is no point of having another officer of the status of Chief Engineer or one with that designation. If on the other hand the real responsibility for the execution of the project should rest with the Chief Engineer on the spot, he should, in fairness to his position and status be invested with full powers exercised by such an authority, and must also be free from any interference from any other higher technical authority in the execution of the project. In this view, and since a concentration of execution of powers in a central authority runs contrary to the accepted principle of decentralisation of powers to the authority on the spot, the Committee suggests that the Administrator be relieved of his executive functions and powers, in respect of the Project and that the Chief Engineer, Hydro-Electric Project, be placed in sole charge of it with full authority and powers needed for its execution".

There is a Technical Board for consultation and advice in connection with the Sharavathi Valley Power Project. In view of this, there is no need for a Technical Adviser. We therefore reiterate our recommendation to abolish the post of Administrator.

35. *Mysore Electricity Board*

3.141. The Board is an autonomous body functioning outside the Government organisation. We are therefore precluded from enquiry into its internal affairs. There are certain broad financial considerations which arise out of the working of the Electricity Board as a public undertaking to which we must refer in view of their repurcussions on the general revenues of the State.

In the first place the Electricity Board is required by the Act constituting it to be worked on a no-profit-no-loss basis. We have referred to the more recent view that public undertakings should be made to yield a return sufficient to cover not only working cost and interest on capital but a surplus also. Accordingly, the State Electricity Board, which is among the State Public undertakings, has to be worked so as to yield a surplus after meeting working expenses and interest charges. The State has invested a sum of Rs. 34 crores on the Electrical Projects administered by the Board. The Board will be taking over the Sharavathi Valley Power Project costing nearly 70 crores, as and when each stage of it is completed and commissioned. The general revenue of the State should, we feel, be benefited by the investment of so large a sum, over and above interest. The Railways, which are a Central Government Public undertakings in the same sense as Electricity, are working at profit and paying a fixed contribution to the general revenues of the Union Government. The Electricity Board should likewise pay a contribution to the Consolidated Fund of the State at a suitable, and if possible, agreed percentage of the Board's receipts.

The other point to which reference may be made is the proliferation of the Electricity Department in the erstwhile Mysore State into four different organisations at present, viz., Electricity Board, Electrical Inspectorate, Electrical Projects Organisation, and Electrical Division in the P.W.D. for the maintenance of electrical installations in Government buildings. These are unnecessary overheads which can be saved by a combination of at least three of the organisations, other than the Electrical Inspectorate. We have already suggested the merger of the Projects organisation in the Electricity Board. We recommend that Electrical Divisions in the P.W.D. may be abolished and the work relating to the maintenance and repairs of Electrical installations in Government buildings be entrusted to the Electricity Board.

36. *Road Transport Corporation*

3.142. At the commencement of our work, Road Transport in the State was a Government Department. It has since 1st October 1961 been constituted into an autonomous Corporation. We are thus precluded from examining its internal working and making recommendations in regard to economy in expenditure. But, as recommended by us in the case of the Electricity Board, the Corporation should also make a contribution to the general revenues of the States at a fixed rate annually.

37. *Industries and Commerce Department*

3.143. The Department was reorganised in 1959 by removing overlapping and duplication of functions of the three Directorates and bringing all of them under the control of the Director of Industries and Commerce with a slight reduction in staff.

The Director is at present assisted by two Joint Directors in the Headquarters office, one of them being incharge of Small Scale Industries, Industrial Estate, etc., and the other being in charge of Rural Industrialisation, Artisan Training Institutions, Cottage Industries, Handlooms, etc. Four other Joint Directors are functioning as the Managing Directors of Government Industrial Concerns. There are too many Joint Directors in the Department. We were told that under the Company law no Managing Director may be in charge of more than two industrial concerns. But we doubt if this restriction applies to State-owned industries which are not registered under the Company law. The point requires verification. Assuming that the statutory limitation applies to the Government industrial concerns, it should still be possible for the Joint Directors in question to take up some part of the Headquarters office work, since the general supervision of two industrial concerns of the size of State-owned industries would not by itself be sufficient to keep a Joint Director fully occupied. The management of State Industrial concerns as well as the work of the Headquarters Joint Directors, may be pooled and their number reduced for 6 to 4. There are six Commodity Committees for each of which separate staff is given. Some economy may be effected by combining and rationalising the duties and staffs of these Committees.

A review of the staff position of permanent establishment in the Department shows an increase in the number of Gazetted Officers from 36 in 1958-59 to 43 in 1959-60. *Per contra,* the strength of the non-gazetted staff decreased from 346 in 1956-57 gradually to 238 in 1958-59 and to 167 in 1959-60. The number of I Division Clerks in the Department however jumped up suddenly from 69 in 1958-59 to 145 in 1959-60. It is seen further, that, in spite of decrease in the number of Gazetted Officers for Plan schemes from 24 in 1958-59 to 11 in 1959-60, and a fall in the number of I Division Clerks in the same period from 104 to 57, the number of non-gazetted executive staff increased from 160 in 1956-57 to 423 in 1958-59 and to 578 in 1959-60. Thus the increases and decreases under the Gazetted non-gazetted executive and clerical staffs are not proportionate to each other. It is clear that there has been no real reduction in the Departmental staff.

There are 120 non-gazetted executive hands of the Industries Department in the C.D. and N.E.S. Blocks without adequate work. Their number may be reduced by enlarging their jurisdiction to cover more than one Block, wherever possible.

Twenty-one Rural Artisan Schools are being run by the Department. The type of training given in these centres is unsuited to the present phase of industrialisation in the State. Since the work relating to the training in artisanship falls within the purview of the Khadi and Village Industries Board for which Central grants are given, we see no need for the State Industries Department to run the training Centres. We suggest that the existing centres be closed down and handed over to the Khadi and Village Industries Board.

38. *Industrial Concerns*

3.144. The working expenses of Government Commercial undertakings amount to Rs. 16.53 crores, according to 1960-61 Budget.

The high working cost of the K.G.F. undertaking is stated to be due mainly to mining low grade ore. Increased water and electricity rates, and payment of *ex-gratia* bonus to workers, are also among the causes of increased cost of production. The one bright spot in the picture is the discovery of the new reef, which has opened out the prospect of working the mines for the next 40 years.

In regard to the Mysore Iron and Steel Works, the following measures are understood to have been taken to economise working costs.

(1) Rationalisation of labour strength at the time of revision of the Industrial truce in 1961. It is expected that 10 per cent of surplus labour force will be reduced.

(2) Introduction of Statistical Quality Control. Operation costs are expected to be reduced by 10 to 15 per cent.

We however understood that progressive lay-out is not practicable in the older sections of the works. At present the Acetic Acid Plant and structural shop are stated to have not been working to full capacity. It is however expected that they will be worked to capacity after the expansion programme is completed. The Cast Iron Spun Pipe Plant erected in 1957 has incurred a loss of Rs. 15 lakhs so far, though it was expected to work on a commercial basis and yield profits. The failure of the plant to become self-supporting is attributed to lack of trained personnel and difficulties in obtaining the required raw materials and imported accessories. The Public Accounts Committee in its latest Report has been highly critical of the laches on the part of the officers concerned in not properly planning the operations but trying to find a solution only after they were faced with grave difficulties in working the plant. Among the factors that have contributed to increased working costs are (1) increase in seigniorage rate for fuel and charcoal charged by the Forest Department, (2) enhancement of power rates charged by the Electricity Board from 1 nP. to 2.6—2.8 nP. The latter question is understood to have been referred to the Technical Committee for decision. Economy is expected to be secured in fuel cost if the experiment that is being conducted to substitute lignite from

Naivelli for low grade coal imported from Singareni and coke from Ranigunj, proves successful.

In regard to the Government Soap Factory it would appear that the boiled process of making soap is obsolete and uneconomical and that production cost can be reduced by modernising the process. Moreover the automatic process for packing, in place of packing by hand, will reduce labour costs and increase output. Since the industry is faced with severe competition it is necessary to introduce modern techniques without delay. The silk-weaving factory at Mysore has 7 lakhs worth of fabrics remaining unsold. This accumulation is stated to be due to changes in designs and fashions. Immediate action is called for to cut the loss on account of dead stock which, as suggested by the Public Accounts Committee, may be disposed of at a suitable discount to avoid further deterioration of stock and cumulative loss. It would appear that looms in the factory are old and have become inefficient as they have not been replaced all these years. It is estimated that the replacement of old looms will bring down the cost of production by 25 per cent. If the equipment of the factory cannot be modernised and production cost reduced, the concern had better be closed down or handed over to private enterprise.

The following figures show the trend of the gross and net trading, profit of the sandalwood oil factory since 1950-51, as per published accounts.

In lakhs of rupees

Published Accounts	*Gross Profit*	*Net Profit*
1950-51	77.12	70.99
1951-52	44.81	41.12
1952-53	48.29	40.57
1953-54	48.46	42.67
1954-55	15.96	5.01
1955-56	13.72	6.51
1956-57	14.35	6.64
1957-58	12.37	6.18
1958-59	11.82	3.54

It is explained that, in the figures quoted above, cost of sandalwood was not being charged for in arriving at the gross and net profits in the period 1950-51 to 1953-54. Deducting the value of sandalwood, the net profit during 1950-51 works out to Rs. 9.80 lakhs instead of Rs. 70.99

lakhs. Even so, there has been sharp variation and fall in the rate of profits from year to year. In the year 1951-52, it would appear that production was curtailed owing to the cessation of war-time demand for sandalwood oil in the world market. Since then it would appear that competition has arisen from oil produced by private distilleries at Kuppam and other places in Madras. At the same time the cost of manufacture, and trade and commission charges have been rising and sale price has been on the downward trend. From the analysed statement of expenditure of the concern, it is seen that trading and sundry expenses have increased from Rs. 5.32 lakhs in 1950-51 to Rs. 7.57 lakhs in 1958-59 and that salaries and establishment have in the same period doubled. Yet trading profit per pound of oil was Rs. 7.78 in 1952-53, which is the highest point reached and thereafter profit has progressively declined to Rs. 2.03 per pound in 1958-59. Although in the latter year the revenue was higher by 12.2 per cent as compared to that in 1950-51, cost of manufacture has, over the period, increased by as much as 22.3 per cent. Hence the reduction of net profit in 1958-59, over the base year 1950-51, by 63.8 per cent. It is clear that the industry, which is a State monopoly and ought to do much better in view of the world demand for oil, is in doldrums. Besides there is idle capacity due to lack of wood. From the discussion we had with the officer in charge of the Factory at Mysore we understood that supply of wood by the Forest Department is on the decrease and that production is being maintained by extracting more oil from available supply of wood and boosting production by the grant of incentive bonus to the workers. We gather that the price of oil for sale in Europe and America has been raised also. However the results of working of the industry seems to us to be far from satisfactory. We are also doubtful of the wisdom of paying heavy commission on the sale of oil to foreign firms, considering that the oil has a settled world market and an assured demand in Europe and U.S.A. In any case, the expenditure of Rs. 20,000 on a commission seems to be high. An expert investigation into the working of the industry is called for and should, we feel, be instituted at once to see that maximum profits are secured from this lucrative and monopoly concern.

The Government Porcelain Factory has after expansion in 1957, incurred a loss of Rs. 36 lakhs so far. This is a concern on which a sum of Rs. 162 lakhs has been invested and there were great hopes that it would become a paying concern immediately after expansion. We were told that the concern had now turned the corner and that if the pins required for the insultators were manufactured locally, the industry would be put on a satisfactory basis.

The products of Government Industrial concerns have become well-known in the market and a steady demand for the same has been built up. In the circumstances it is unnecessary to have commission agents and pay them a heavy rate of commission on sales. We understand that the constitution of a State Trading Corporation for the sale of Government industrial manufactures, had been proposed by the Department sometime back, but that the proposal was not accepted by the Government in the view that normal trade channels should not be interfered with. The establishment of a Central sales agency for the disposal of Government industrial products is expected to save a sum of Rs. 4-5 lakhs a year under commission. We strongly recommend the abolition of the system of commission agents and constitution of a Trading Corporation on the lines proposed by the Department.

The percentage of utilised capacity to installed capacity is still low in State-owned concerns, being 60-70 per cent against an optimum of 90 per cent. Idle capacity is stated to be high in the Government Electrical Factory and the Mysore Implements Factory. It is explained that the expansion schemes under contemplation will make a better utilisation of installed capacity possible. Low production may be due in some measure to labour attitudes and to go-slow methods. The incentive bonus scheme introduced in some of the concerns is stated to have created a better psychological atmosphere. We, however, see no improvement in the production figures. It came to our notice in the case of one of the Government industrial concerns that though a promise of incentive bonus payment was held out and production improved as a result, there was a set-back in production afterwards as orders of Government sought for sanctioning the bonus had not been communicated so far. Managements of industrial concerns should, we consider, be given wider powers in regard to matters like payment of incentive bonus, etc., subject of course to financial limits, instead of their having to wait for orders of Government. A general policy in this behalf may be laid down, leaving its application to the management of industries.

None of the State Industries except the K.G.F. undertaking has installed the cost accounting system. Without it, it is not possible to assess the performance and economies in production cost. It is suggested that a Cost Accounts unit be set up in each State-owned Industrial concern under an experienced Cost Accounts Officer with trained personnel. The extra expenditure on this would in our opinion, be more than repaid by better control over the working of the concerns, and elimination of waste to be secured thereby.

Our general impression regarding the present working of State-owned industries is that they are not being as efficiently, or as economically run, as comparable industries in the private sector. The test of a well-managed and efficiently conducted industry is the return. The average rate of net return of Government industrial concerns is 6 per cent, which in our opinion is too low to be regarded as satisfactory. Not only the working costs are high but the marketing side is not being competently handled. There is no pricing policy or systematic study of marketing trends. We discussed the future of Government Industries with the Departmental officers. This raises the question of an industrial policy for the State. In the erstwhile Mysore the policy was for the Government to develop new industries and after they reached the working stage, to hand them over to private management, the object being to bring about rapid industrialisation. At a further stage the policy was expanded (1) to make possible Government participation up to certain limits in the capital and management of industries started outside the Government sector, and (2) to grant industrial loans, or to guarantee such loans given by Banks and Industrial Financing Corporations for starting new industries, and (3) to contribute to the capital of industries started on a co-operative basis. The entire pattern of industrialisation having changed with emergence of the public sector in the country, the need arose for the formulation of a country-wide industrial policy. Accordingly, the Industrial Policy Resolution was passed in 1956 by the Government of India under which the relative spheres and claims, as between the public and private sectors, were sought to be harmonised with reference to certain broad principles and objectives. There is so far no clearly defined policy in the State to regulate the future development of industries within the private and public sectors. With rapid industrialisation in the State, there is need for a policy decision regarding the broad pattern of industrial development in which the claims of organised manufacturing industries on a large scale are balanced against the development of cottage, medium and rural industries. It is also essential to harmonise the claims of the public and private sectors in the interests of maximum utilisation of the States' resources. It will in the light of such a policy, be possible to decide which among the existing State-owned industries may be continued in the public sector and which may be transferred to private sector. In regard to industries in the State Public Sector the question arises whether the Government should act on the principle of the capitalist and make the maximum profits out of the concerns, or if it should run them on the principle of no profit no loss. The accepted view till the Third Plan was formulated was that public undertakings should work on a no profit no loss basis, as opposed to industries in the private sector in which profit is the main motive. We have referred in an earlier chapter to the more recent thinking on the subject, which demands that public undertakings should be run for profit and that the profit be ploughed back into the expansion and development of the industry to make it self-financing. Conversion of State public undertakings into Corporations has been accepted in principle and accordingly the Mysore Iron and Steel Works has been registered as a Corporation and Road Transport constituted into a Corporation. But the Finance Department has consistently opposed the idea of Corporation for the understandable reason that nearly half the net profits of the concerns has to be paid as Income-tax. In our opinion all the advantages of a Corporation can be secured without deduction of tax from profits, if instead of formally registering the State public undertakings as Corporations under the Company Law, they are treated and worked as if they were regular commercial concerns. The object being to run Government undertakings as efficiently and profitably as comparable undertakings in the private sector, the pattern of industrial management followed in the latter may well be adopted in the Government industries. While officers in the State Industrial pool may be appointed as General Managers, they should be given a free hand and full discretion in matters like recruitment, purchases and pricing. The concerns may further be exempted for the strict application of the Government rules and procedures in regard to audit and brought instead under a system of cost accounting and commercial audit. There should, in place of a meticulous financial audit in terms of Government accounts, be a performance audit based on results and achievement. We recommend that all the Government industrial concerns be brought under the control of a Board of Management with representatives of industrialists and financiers along with top-ranking officers of the Department of Industries and that the Board be given wide and effective powers to run the industries on strictly commercial principles. We are given to understand that by commercialising the working of State industrial concerns, their net profits may be stepped up by nearly 10 per cent during the Third Plan.

In regard to the development of Cottage and Small Scale Industries, we recommend that a Utilisation Board under the chairmanship of the Industries Commissioner of which the Heads of Departments of Agriculture, Forest, Geology and Mining should be members may be set up for the fuller and co-ordinated exploitation of the State's agricultural forest and mineral resources to promote cottage, rural and small scale industries. The Board will cause a complete and comprehensive survey of industrial potentialities in the State being conducted and draw up a master plan of cottage and rural development in the light of which industrial schemes may be prepared and implemented in an integrated manner from year to year.

39. *Community Development Project and National Extension Service*

3.145. As on 1st April 1961 there were 188 C.D. Blocks Units in the State covering (1) an area of 56.435 square miles out of the total rural area of 73,464 square miles, or 76.8 per cent and (2) a rural population of 114 lakhs, or 76.1 per cent of the total rural population and (3) 20,000 villages, or 76.2 per cent of the total number of villages in the State. Of 171 talukas in the State the programme now covers 139. The entire rural area and population in the State is expected to be covered with a total number of 268 Blocks by October 1963.

A study by the Economic Department of the Reserve Bank of India of the working of the Programme, published last year reveals broadly that (1) the pace of progress is slow (2) the problem of securing capable leadership is not yet solved, (3) the statistical data about the programme of the schemes are unsatisfactory (4) the people's contribution has continuously declined from 40.8 per cent in 1956-57 to 28.4 per cent in the first six months of 1959-60 and (5) the programme has lost its original attraction. It has also been brought out that non-officials connected with the programme have remained passive and that the officials have lost touch with the village aspirations and needs, as many as 25 per cent of the officials being rated as inefficient in some of the States. While the demand for welfare services in the villages has steadily increased, the link between higher production, increased taxation and more and better services does not appear to have been realised. The broad conclusion is that while the programme has succeeded in harnessing the people's energies for developing purpose in some of the areas, the problem is to enlarge and extend these areas of successful achievement. It is estimated further that, for the country as a whole, 25 lakhs of officers have to be appointed and trained by 1963 to run the programme. The seventh evaluation report of the Community Projects administration sums up the position in the following words: " one gathers the impression of inadequately co-ordinated endeavour, governmental rather than popular in character and sustained more by hope than by achievement ".

The C.D. Programme is conceived as the people's plan for their economic and social advancement. The pith and substance of the programme is that planning should start from the village upwards. Neither the basic assumption that the movement would pass into the people's hands nor the hope that the movement would foster and develop local leadership and initiative, has been realised. The general appreciation is that it is the officials who have handed down the plans and that non-officials have remained on the whole passive. As disclosed by the Reserve Bank's study, the attraction of the programme seems to have worn out. The aim of increasing agricultural production, which is the sheet-anchor of the programme, has so far not been reached. In fact the introduction of the 'Package Aid' programme for boosting agricultural production is a tacit admission that the agricultural part of the C.D. programme has not been a success.

Our own analysis of the working of the programme is that for one thing it is too much officialised and too staff-intensive to allow initiative to be developed among the people or for real leadership to arise among them. To overofficialise a 'People's Project' is illogical and self-contradictory and must in the end defeat the object to be achieved. There is no field of Government activity in which at present so much is being talked and so little done as in the C.D. programme. The fact that 25 per cent of the official element in the country is considered inefficient is revealing and indicates the enormity of ineffective expenditure that is going on.

Whether the Village Level worker is really the best type of official to be the friend, philosopher and guide of the people and to rouse their enthusiasm and harness their energies is a moot point. As observed by Sri B. G. Rao an experienced administrator, the social organiser is neither an essential part of the development organisation nor capable of creating new outlook, new values and new attitudes on the part of the people. We doubt if even the Block Development Officer is the right type of person to achieve the objective of rural awakening and revival that he is expected to bring about.

Excepting for a few new buildings here and there, and some dim awareness on the part of the people of something going on around them, we could see no marked difference or improvement as between a Block and non-block area, in so far as mental outlook and positive approach on the part of the people is concerned. On the other hand the movement seems to have revived the party spirit in the villages and made people money conscious. While there is much advice and money offered to the villages in Block areas, money is taken and advice usually ignored. We understand from a review of the several loans and advances granted under the programme that there have been many irregular payments and that loans are being given in a haphazard manner at the discretion of Block Development Officers without following the proper procedure or adopting the normal safeguards. The Public Accounts Committee has taken a serious view of the matter and suggested the strict observance of proper procedure and adoption of precautions to ensure proper utilisation and recovery of loan amounts. A better sense of financial responsibility on the part of the C.D. Block staff, and stricter supervision over the expenditure in the Blocks by superior officers, is called for.

Unlike the Village Panchayat and Taluka Boards, the C.D. Block is not a statutory body. It has no root in popular tradition nor has it so far caught the imagination of the people. The expenditure on its staff is disproportionately heavy and incommensurate with the work turned out. Now that the entire State is to be fully covered by the C.D. programme by 1963, an economical and efficient official set-up should be thought of for carrying on with the post-extension stage of the work with minimum of official interference and maximum of people's participation.

40. *Stores Purchase Committee*

3.146. The Excise Commissioner is the *ex-officio* Chairman of the Stores Purchase Committee. The Executive Committee is competent to deal finally with all indents upto Rs. 1 lakh. Indents beyond this limit are required to be sent to the Government with the recommendation of the Executive Committee for approval. The set-up of the organisation is too sketchy, considering the volume of transactions to be handled. The present powers of the Committee are also inadequate. From the statistics of business of this Committee, we see that the number of enquiries issued, rose from 649 in 1957-58 to 890 in 1960-61. The total value of orders placed has increased from Rs. 4.96 crores in 1957-58 to Rs. 6.96 crores in 1960-61. In view of the magnitude of purchase made from year to year, and with a view to streamline the S.P.C. organisation to serve the needs of the various Government departments adequately in the context of the Third Plan, the Chairman of the Committee has proposed the reorganisation of the Committee with a whole-time Director. It is proposed to form an Inspection Wing under a technically qualified Assistant Director and to have a Samples Section with a laboratory for testing the samples and supplies. To reduce the delays in placing orders, the Chairman proposes to establish liaison between the Central Purchase Organisation and the Indenting Departments. The reorganisation is estimated to cost Rs. 3 lakhs p.a. We have examined the reorganisation proposals and strongly support it in view of the need to have an efficient and economical purchase organisation in the State. At the same time the reorganised purchase set-up should have adequate powers to deal with day to day matters without having to approach Government for orders frequently. The present rule requiring all indents of the value of more than Rs. one lakh to be submitted to Government is too restrictive and should be liberalised. We suggest that the whole-time Director, to be appointed in accordance with the proposal of the Chairman, be invested with the power to dispose of all indents up to a lakh of rupees. The Executive Committee of the Stores Purchase Committee may deal with and finalise all indents up to 25 lakhs of rupees, indents of more than Rs. 25 lakhs being submitted to Government. We further suggest that the Director may delegate to the Assistant Directors to be appointed, suitable powers and allocate definite functions for efficient and speedy disposal of work.

A serious drawback of the existing procedure for purchases is the unsatisfactory and imperfect drawing up of specifications by the indenting Departments. In several cases the specifications are vague, and considerable time is lost in correspondence. Much of the delay in placing orders through S.P.C. is, we understand, due to this important and higher technical work being left to subordinates with insufficient experience in the indenting Departments. We suggest that the Heads of indenting Departments be directed to nominate a competent and technically qualified officer as the authority for drawing up specifications for purchases. The same officer should, as proposed by the Chairman, S.P.C., be the Liaison Officer with the Stores Purchase Department for purchases. The important thing is that specifications should be so framed that the suppliers understand clearly what is wanted, and what should be quoted for, but should not be vague or restrictive in character. We understand that the Indian Standards Institution has drawn and is drawing up specifications for various articles, and that there is a very large body of such specifications, which the Departments of Government can readily use and adopt. It is suggested that the attention of the Heads of Departments be drawn to the I.S.I. specifications with a direction to make the largest possible use of them in making purchases through the S.P.C.

Further we feel that Heads of Departments in the State are not making use of rate contracts fixed by the Supplies and Disposals organisation of the Government of India.

We recommend that all the Heads of Major Indenting Departments be empowered to operate on the rate contracts fixed by the D.G.S. & D.

To obviate delay in effective purchases through the S.P.C. a rule may be laid fixing the maximum time limit for the date of receipt of the indent by the S.P.C. to the date of placing final orders for purchase. In Maharashtra State a time limit of two months has been fixed. We suggest the framing of a rule that normally no more than two months should elapse from the date of indent to the date of order. Any case exceeding this limit of time should be reported by the S.P.C. to the Government with an explanation.

We have already referred to the need for expeditious settlement of claims of supplies. It is because of this delay that suppliers try to protect themselves by quoting higher prices to cover interest charges, etc. A prompt settlement of claim would in our opinion result in substantially lower rates being quoted. In this connection we may refer to a suggestion made by the Accountant General that the responsibility for the payment of supplies made to the several Departments be undertaken by the S.P.C. itself, by the establishment of a Pay and Accounts Section. The suggestion is worth examination, provided the receiving departments can send an authenticated copy of acceptance of supplies to the S.P.C. without delay and necessary provision is made in the. S.P.C. instead of the departmental budget.

The *raison de tre* of a Central Purchase Organisation is that substantial economy in purchases can be secured under a system of calling for tenders and placing consolidated orders at one time for articles of similar nature and quality. This can be done only if the Indenting departments plan their purchases in advance and send in their indents in a classified manner with correct specifications. Much depends however on the time-schedule for the preparation and submission of indents by the several departments of Government to facilitate their calling and making consolidated enquiries. The S.P.C. Office should also be better organised for this work. It is suggested that, firstly indents for articles of common use should be required to be submitted to the S.P.C. according to a time schedule and six months in advance of the year of supply, with suitable modification of the existing procedure regarding budget provision and obtaining sanction, etc., and secondly the S.P.C. should be required to consolidate the indents and place bulk orders for articles of similar kind required for the several departments of Government. It is important, if the new purchase organisation is to work well, that the staff is selected with great care and that they are given necessary training. The Accountant General may be requested to arrange for the concurrent audit of orders soon after they are placed. The question of regionalising purchase up to certain limit was considered by us. We are advised that a regional organisation is not likely to work satisfactorily and that it would only increase the cost. In regarding to direct purchases by Heads of Departments, we feel that the existing financial limits are liberal enough and do not call for any upward revision.

We are of the view that there should be a single Central efficient purchase organisation in the State and that it should be the S.P.C. The *ad hoc* Committee set up in the P.W. Secretariat for the purchase of equipment and machinery for the Sharavathy Valley Project is a duplication and a superfluity and should be wound up forthwith. In future no department of Government should be permitted to make purchases, other than local and petty purchases within the powers of Heads of Departments except through the S.P.C. Above all, the very scope and function of the S.P.C. could be enlarged and it may in fact be remodelled on the lines of the organisation of the Directorate of Supplies and Disposals, Government of India. The designation of S.P.C. may be changed into the Department of Supplies and Disposals with the addition of the work relating to the disposal of surplus equipment and stores in all departments of Government generally, and in the P.W.D. in particular, to the existing stores purchase work. We have already referred to crores of rupees worth equipment lying idle or uncared for in the projects of the P.W.D. and suggested systematic repair and reconditioning of such equipment also for disposal or transfer to other projects. But equipment and machines which are not required for use should be taken care of by some organisation in this State with a view to profitable disposal. The S.P.C., as the States Central Agency for purchases, is the most appropriate agency for the disposal of all surplus stores and equipment also. A Disposal Wing may be added with necessary staff to the purchase organisation, and the Department of Supplies and Disposals, as we propose the combined organisation may be called, placed under the Chairman, S.P.C. All Government Departments should be required to submit to the Director of the Supplies and Disposals Department quarterly statements of surplus stores and equipment including vehicles in the required form. The surplus materials should then vest in the Director for being disposed of to best advantage. The Public Works' Workshop at Munirabad may be run by the Department of Supplies and Disposals for reconditioning of vehicles and other equipment before disposal. Care should however be taken to see that the price to be fetched after reconditioning of such vehicles or equipment would cover the reconditioning charges.

41. *Social Welfare*

3.147. The Department spent Rs. 3.75 crores in the past 5 years on the welfare of Scheduled Class and other backward Tribes and Communities in the State. In addition, Rs. 40 lakhs was spent under Centrally sponsored schemes under the Second Plan. The population of Scheduled Tribes in the State is 1,50,000. There has however been no independent evaluation of the work done at the benefits secured. A considerable amount has been spent as grants for purchase of tiles and construction of houses. We cannot help feeling that there is much wastage of resources in the way in which the allotments in this Department are being utilised. It does not appear that with all the amounts spent and propaganda carried on, there has been any appreciable improvement in the economic condition of the Scheduled Tribes and Classes. In fact we would question the usefulness and the desirability of a separate Department for Social Welfare work. Neither the set up of the Department nor its personnel seems best suited for achieving the objects in view. Welfare work is likely to gain in effectiveness with less expenditure on staff, if the Department is wound up and the entire work transferred to the Local bodies with the allotments. In fact it is sincerely for consideration if the work cannot really be left to non-official agencies with suitable subsidies and grants. The work may certainly be transferred to the Taluka Boards and the official set up wound up.

42. *Co-operation*

3.148. The Department is growing in size and its activities are on the increase. The very growth of the department is an indication that the co-operative spirit is still firmly tied to the apron strings of officialdom. Co-operation is a people's movement. Too much of official control and regulation is an obstacle to the spread of the co-operative movement. We doubt the necessity for the post of Joint Registrar, when there are two Deputy Registrars. If the post of Joint Registrar is to be retained, the post of one of the Deputy Registrars may be retrenched. There appear to be too many Assistant Registrars. Their number may be reduced. The following items of work overlap those done in other Development Departments, *viz.*, (1) Tungabhadra Project staff (2) Development of dairies (3) Development of Sugar cane in districts (4) Palm Gur Development (5) Rural recreation Scheme (6) Relief of Handloom Weavers (7) Irrigation Schemes. The staff in the Department in respect of those overlapping schemes is clearly a duplication and should be reduced, if not abolished. The Department should confine itself to its legitimate duties connected with disputes. liquidation, recovery, and consolidation.

The statistical staff in this Department is a duplication and should be transferred to the Statistical Department. There is no necessity for an Assistant Engineer in the Department. The post may be abolished and the required engineering advice obtained through the regular P.W.D. agencies in each locality. A very high proportion of staff in the Department is temporary. We understand that this is due to non-confirmation of the personnel appointed in connection with expansion of agricultural credit afforded by the Reserve Bank. The need for so large an establishment may be examined and the minimum staff required for the work made permanent, retrenching superfluous hands. We reiterate the proposal already made to transfer the Audit staff in this Department to the State Accounts Department which may be required to continue the existing pattern and system of audit. It would compromise the independence of the audit function to place it under the control of the administrative Department.

43. *Literary and Cultural Development*

3.149. The Department is of recent origin. Its activities are now confined for the most part to subsidised publication of classical works in Kannada and the preparation of the Kannada Encyclopaedia and Dictionary. The former item of work may be handed over to the Government Stationery and Book Depot, and the latter item with a grant to the Education Department or to the University, and the Department wound up.

44. *Public Works.*

3.150. *General.*—More than a third of the total expenditure of the State is incurred in this Department. The Mysore Finance Enquiry Committee observed as follows :—

> "The very magnitude of outlays affords an indication of the scope for economy in this sector of public expenditure. It was in this sector that the largest savings were secured in the past when financial exigencies called for retrenchment".

The Departmental expenditure is made up of (1) Establishment charges and (2) constructions costs. Construction costs are of special significance in the context of planned development. Almost every plan scheme involves some expenditure on works and 90 per cent outlay on the State's major projects is upon construction.

Construction costs.—Wasteful and infructuous expenditure arises frequently in the execution of works for the following reasons among others, *viz.,* (1) lack of thorough investigation of projects and of proper phasing of execution of works with reference to availabilities, (2) want of expert scrutiny and clearance of designs, (3) unplanned outlay on works, (4) delays in obtaining technical clearance by the C. W. P. C., (5) execution of works without estimates, (6) insufficient supervision of works under execution, (7) emphasis on the financial target without reference to the achievement of physical targets. The following extract from the report of the Mysore Finance Enquiry Committee, 1956 sets out clearly the defects in the method of estimating and execution of works :—

> "The preparation of works estimates has become notoriously perfunctory. This is partly because estimates are called for without reference to the possibility of work being seriously taken up

in the near future. When the relative scheme, after years of incubation comes within the range of active consideration, the oldest estimates are dished up and sanction is accorded in a hurry. Before work is started, no serious attempt is made to verify the original data, to bring the rates to current levels or to compute realistically the cost of items for which provision had been made on a rough and ready basis when the schemes has been only a distant possibility. Subsidiary works, even those of an essential character are left out to be included later in a separate estimate as for new work. As a result of this, projects large and small have been undertaken without any idea at the outset of the commitments involved. In the case of the irrigation works, moreover, the investigations and formalities enjoined by statute are not attended to a neglect which might lead to serious embarrassment in determining water rates, rates of acreage contributions, etc.".

We cannot improve upon the above observations which are as true today as when they were made. The Planning Commission has more than once emphasised the importance of proper investigation of projects. In fact planned development is conceived as a process of continuous adjustment of performance to availabilities which calls for an advance assessment of personnel and material resources and the perfection of a realistic plan of action for achieving physical as well as economic objectives. This makes a very thorough and careful investigation of the data connected with a project necessary under supervision at a high and competent technical level. The investigation should naturally be of a detailed character and must take into account and provide for foreseeable difficulties at all stages of execution. The time and labour expended on detailed investigation is well worth the while, since hasty preparation of estimates and revision of plans are thereby avoided. The Central Water and Power Commission has laid down the norms of proper investigation of projects which if strictly followed saves a lot of time taken and expenditure incurred, at present on investigation of projects in the State. Preparation of proper design is of crucial importance. Designs should be based on an accurate assessment of local conditions and construction facilities and be examined by a body of consultants. A Standing Technical Advisory Committee is in existence in Mysore from a long time. It is a feature of Mysore Public Works Department which has been commended by the Planning Commission. The Committee is just the organisation needed for consultation but it would appear that its advice is not now being sought or availed of, except occasionally when plans and designs are referred to it piecemeal. Formerly the Chief Engineer was the Chairman of the Committee but now the Minister is Chairman. Since it is a Technical Committee, which is expected to make an independent and objective examination of designs and plans and offer impartial advice, its Chairman should be a topclass Engineer. We suggest that a Senior Engineer, a retired Chief Engineer if need be, may be made the Chairman of the Committee and urge strongly that designs and estimates in a complete manner for all important projects be invariably referred to the Committee for scrutiny and advice, as was done formerly. This Committee should, in our opinion, be utilised more fully, and effectively in evolving a sequence of operations for the larger projects according to which the execution should proceed without interruption. The important thing is that once a project work is taken up for execution, it should not be held up on the ground of want of materials or simply on account of mid-construction alterations in designs and plans. Reference may be made in this connection to the recent Symposium on 'Economy and efficiency of Engineering enterprises' held at Bangalore in November 1961 under the auspices of the Institution of Engineers (India). The symposium was unanimous about the importance of forward planning both for designing and for construction. Physical planning is in our opinion the crux of economy in construction. Inadequate attention to this aspect is one of the reasons for the delay, sometimes as much as three years, in getting technical clearance by the C.W.P.C., which in turn unnecessarily prolongs the period of execution and necessitates works being rushed through at later stages. We fully subscribe to the following observations of the Mysore Finance Enquiry Committee bearing on rush of expenditure.

> "Another point to be emphasised is the need to avoid rush of expenditure. With the greater insistence under the plan to achieve pre-determined targets within a given period and the judging of progress by the amount of expenditure incurred, there is danger of works being hurried through without due regard to economy. There may be also infructuous expenditure when the scheme for which the required personnel and materials are not ready to hand, are taken up in the anxiety to keep to schedule. The wholesome rule is not to start a work until the staff executing it is in position and there is a reasonable certainty of obtaining the requisite materials.
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> The observance of some of these rules of prudence might to some extent, retard progress, but it would in the final reckoning really save time and also reduce expenditure".

It is necessary to have standard specifications for each item of work, expressed in clear and unambiguous terms. Ambiguity in regard to specification has been a prolific source of uncertainty in estimating, delay in execution and payment of unnecessarily high rates to contractor. In a certain case the term 'project area' used in the agreement was challenged by the contractor and led to the payment to him of some lakhs of rupees. Now that the contract system has come to stay even in the case of small projects, the procedure to be followed in calling for tenders, entering into agreements with successful tenderers, and settlement of claims of contractor, assumes an added significance in the interests of proper execution of works and economy in expenditure thereon. The entrusting of works to petty contractors without sufficient means has in the past led to delays in execution, malpractices and increased construction cost. Since engineering contractors are now available with the required resources and equipment, there could be an approved panel of such qualified contractors for different types of work, only firms of engineering of known reliability and integrity being included in the panel, after periodical screening by the Technical Advisory Committee. Calling for tenders is often made a formality and the lowest tender accepted is frequently in excess of maximum scheduled rates. The schedule of rates becomes out of date very soon in view of rapid changes in engineering practices and rising prices of materials. Compared to the schedule of rates of 1956-57 in the State, the rates in 1960-61 are already 33½ per cent higher and 60 per cent higher than in the First Plan. The revision of schedule of rates from time to time is necessary if it is to serve as an effective safeguard against inflated rates being quoted and accepted. What is more necessary is to check the tendency not to call for tenders for certain items in an estimate, whereby these non-tendered items have later to be paid for on an *ad hoc* basis at fantastically higher rates in some cases. It has come to our notice that the rates for labour and materials vary widely from area to area and even from one project to another in the same area. We feel that there should be fair amount of uniformity in the labour and material rates in the State, making allowance of course for regional variations. As observed by the Mysore Finance Enquiry Committee, by taking up a number of large projects and works at the same time, and sometimes in the same locality, the State stands to lose the benefit of competitive rates and the projects are to that extent denied the desired amount of supervision. In any case the specified rates should be workable. It should not ordinarily be necessary to provide in the contract agreements for items to cover every concievable risk, since this is one of the devices by which the contractor is enabled to claim much higher rates to make up for lower rates under tendered items. The contract agreements should be carefully scrutinised by a responsible engineering authority so as to leave no loophole for the contractor to make it the basis of arbitration later which generally ends in substantial amounts being awarded to him.

One other factor influencing the construction expenditure is the cost of acquisition of land. Land acquisition charges under projects have increased by as much as 200 per cent in the case of the Sharavathy Valley Project. The main reason for this is the practice of starting works before regularly taking possession of land after payment of compensation. The practice of taking over lands required for public works under section 15 of the Land Acquisition Act and postponing the payment of compensation to a later stage has been the main cause of award of substantially higher compensation amount than originally estimated, apart from interest to be paid. We understand that in the case of a major project in the State, the contour was run some years after the work commenced and had progressed. Land values having steeply risen in the intervening period, and some of the land owners having effected improvements to their lands in the hope of claiming a large compensation, acquisition of land led in this case to the payment of unnecessarily large amount of compensation. In addition to accute rehabilitation problem caused, a considerable amount of forest materials in the submergeable area of the project was lost, due to the delay in running the contour line. We understand that delay in acquisition of land is due also to cumbersome and time-consuming-procedure prescribed under the State's Land Acquisition Act. The Central Land Acquisition Act has recently (August 1961) been extended to the State and it is hoped that with the cutting down of procedural formalities under the Act, the delay in acquiring and handing over lands will be reduced. We repeat here that no work should be started before the land required for it is taken over after payment of compensation to the owners of the land. In the case of submergeable forest land, sufficient time should be allotted for the extraction and removal of forest materials and the Forest Department should attend to this matter on top priority basis. Where lands are so acquired several years ahead of the completion of large projects, they should, until the lands become submerged or are utilised for the project, be leased out temporarily on condition of being surrendered at any stage without payment of compensation.

A project of magnitude necessarily involves the construction of temporary as well as permanent buildings. There is no uniform practice in putting up project buildings and wasteful expenditure is being incurred as a result. In our opinion permanent buildings for officers and quarters of the prescribed type should be put up first and the construction of temporary quarters may follow later. In the course of our visits to the major projects in the State we could not distinguish between temporary and permanent buildings. Temporary buildings, mainly quarters, are needed to house the staff and workers for the duration of the project, after which the buildings would be of no use. The design of temporary buildings should be such as to just serve the object in view but not involve any expenditure in excess of what is absolutely necessary. In this respect the department should do, what in the same circumstances contractors are doing, and limit the expenditure by minimising not only the cost of each unit but also the number of units to be constructed. In regard to project expenditure generally our main recommendations are that (1) no work should be started without physical planning and before the land required for it is acquired and paid for, (2) the design and plan of the project, examined and finalised after technical consultation before starting the work, should not be altered in the course of execution, (3) funds allotted should be utilised for completing the works already taken up, instead of splitting them up among too many items and delaying the completion of all. We repeat that works should be started only after (i) designs and plans are ready, (ii) all technical problems are foreseen and settled and (iii) after tenders are called for and accepted.

A criticism about Government constructions, particularly of public buildings is that an unnecessarily high safety factor is provided generally by the Public Works

Department. The Departmental view is that specifications for public constructions are based on certain accepted standards as to safety and minimisation of maintenance costs, etc., and that there is a risk in compromising with the well recognised safety factors for the sake of economy in initial construction costs. In regard to high dams, power-houses, etc., no risk is permissible and we do not recommend it. But in the case of buildings, however, a judicious relaxation of standards may be specifically considered where materials like iron and cement are used. In regard to a very large number of buildings to be put up for schools, hospitals, etc., in rural areas and residential quarters, not only the load factor need not be high but we feel that locally available materials instead of cement and iron, should be normally employed. It is also necessary to adopt low-cost designs for functional buildings and to save on foundation costs, as far as possible, by a proper selection of sites. We are told by the Government Architect that cheaper types of designs for functional buildings have been evolved and already been approved by Government. But as far as we could observe in the course of our tours in the State, most of the buildings latterly put up, even in the rural areas and in the projects, have been constructed by using cement-concrete and iron irrespective of the need for the same. A lot of money is wasted in construction of stone buildings which requires dressing at extra cost. Since thousands of buildings are to be put up under the plans, the economies to be effected by even a slight reduction in construction costs, use of cheaper materials and adoption of simpler designs, will be quite substantial in terms of money. The designs for Government buildings should, we feel, be such as to enable the maximum utilisation of built space with minimum of ineffective space. Except in every special circumstances, no expenditure from public funds may be allowed to be incurred on ornamentation of Government buildings or structures. The Planning Commission has laid down generally the measures to be adopted by State Governments for effecting economy in the construction costs of buildings. The Commission has advised immediate action being taken on the following lines, *viz.*,

(1) Construction of 'Prestige' building should be discontinued;

(2) Wherever land is costly, economies may be secured by their construction of multi-storied building;

(3) To economise in the cost of development of land, the lay-out of new colonies should not be spread over too large an area; and

(4) Areas to be provided for office buildings and plinth area for residential quarters should be prescribed with due attention to economy of space.

Administrative action is suggested to give effect to the following principles to be kept in view broadly in the building programmes of States;

(i) Economy in land utilisation.

(ii) Adoption of designs for buildings strictly according to functional requirements; including austerity standards, type-designs, standard plinth areas, etc.

(iii). Improving structural efficiency by rationalisation.

(iv) Avoiding or reducing the use of costly materials and materials in short supply.

(v) Use of local materials to the maximum extent.

(vi) Planning in advance for the procurement of materials and for site management.

The specification of type designs should be such as to achieve maximum space economy, *i.e.*, maximum proportion of useful area to plinth areas. The Buildings Project Team, which examined selected buildings, suggests that 65 per cent to 75 per cent may be considered as the minimum for multi-storied office building and 60 to 65 per cent for Industrial Estates. It is further stated that the reduction of ancillary space requirements contributes to a significant reduction in building costs. As an effective method of reducing cost, it is suggested by the Team that financial ceilings for each type of buildings may be fixed after a careful analysis of the cost data and possible improvements in designs and specifications. The Planning Commission has suggested a study group being constituted in each State with a view to watch the progress of action taken towards achieving economies in construction costs. The Madras Government has set up a Committee in this behalf. In view of substantial savings in costs to be secured under buildings costs, we recommend that an Inter-Departmental Committee be constituted in the State in particular for (1) evolving a rational building policy, (2) securing economies in land utilisation and floor space, (3) planning in advance for the procurement of materials and (4) adoption of economical type designs for functional buildings and residential quarters.

We must in passing make mention of token allotments in the Budgets which bear no proportion to the estimated outlay. Starting a large number of works simultaneously without reference to the funds available or actual expenditure to be incurred disproportionately increases costs of construction and should be avoided. Similarly token allotments to projects, other than works which are not investigated or for which estimates are not ready, should be avoided. To refer to a few cases, the allotment of a sum of Rs. 10,000 only for a building estimated to cost Rs. 81,000, and the allotment of a sum of Rs. 2,000 against an estimated outlay of Rs. 50,000 would take several years for completing even small works, which is neither good engineering nor proper financial provision. In our opinion a building costing Rs. 1 lakh should be completed in not more than two seasons but now it is spread over six to seven years.

It would be good idea to try and enlist private enterprise for the construction of residential buildings, particularly in mofussil places, instead of Government undertaking a large programme of construction of residential quarters. Since construction of buildings by Government is generally costlier than private agencies, private persons may be encouraged wherever feasible, to construct buildings to be used as official quarters and Government may take them on long-term lease.

Communications.—The Roads and Bridges programme of the State under the Third Plan will need to be revised in the light of the Planning Commission's recent decision to bring the Central Road Fund (allocation works), which up to now was outside the State Plan, within the ceiling of the latter. Against the allotment of Rs. 185.90 lakhs from the Centre for the ore roads in the State, the State Government has made a provision of Rs. 427.41 lakhs. It is desirable to have two-way lanes for ore roads. State Government should try to secure adequate allotment from the Centre for a two-way road. But if sufficient funds are not forthcoming, the expenditure on ore roads may be limited to the Central allotment by reducing the road width according to the Government of India specification. As the spill-over of road programme into the Third Plan is of the order of Rs. 8 crores, it would be prudent to complete this programme and to take up no new works during the Third Plan. Generally the expenditure on asphalting of roads should be taken up in a phased manner without exceeding the annual allocations. The present practice of taking up small bits of a road for asphlting is not economical and should be avoided. We suggest that as long a length of the same road as possible should be taken up for asphalting as is the practice for concreting.

European experience seems to support the view that motorways could be constructed faster if private capital could be attracted to road-building programmes. In Europe (excepting U.K.) and in the U.S.A. there is a system from some time past of entrusting the maintenance of highways to private enterprise by collecting toll from users. Italy is said to be the first country to go a step further and entrust the construction of motorways to private enterprise. In that country there has been a combination of private enterprise and Government effort in the construction of new roads and their maintenance. The first *autostrade* was constructed in Itlay in the twenties and the Company that built it was given a 30 year lease with power to levy toll, at the end of which the road reverted to the State and the toll reduced to a nominal charge. In France, the Tancarville suspension bridge at the mouth of the Seine was constructed by the Municipality of Lottaire and the expenditure of 5½ million francs incurred thereon is being recouped by the levy of tolls on a graduated system. It is in U.S.A. however, that the toll system has been developed most, though the roads are built from public funds and vest in the Government. The construction of speedways and motorways between the principal cities on which traffic is heaviest has been often proposed. In the case of new motor roads, private enterprise may be attracted as an experiment by the formation of private transport companies with right to levy toll for a certain period at the end of which the roads may revert to Government and the toll reduced to a nominal charge.

Irrigation.—Mysore is among the States in India with the lowest ratio of irrigated to total cultivable area. Erstwhile Mysore was noted for its State-wide network of major and minor tanks. To, such a point had the principle of conservation of State's water resources been carried in 1866 that the then Chief Engineer said about the State that it would require great ingenuity on the part of any one to discover a site in the State for the construction of a new tank, without reducing the supply of water to one lower down. The State's thirty-five thousand tanks constitute a most valuable assest which has to be properly conserved. As already noticed by us earlier, the tanks in the State are progressively getting silted up and their original irrigable capacity has been considerably reduced. The restoration of minor tanks in the State is one of the biggest problems for which so far no practicable solution has been found, though crores of rupees have been spent on it already. Neither of the possible alternatives, of (1) the Government taking over the entire responsibility for the maintenance and restoration of minor tanks, or (2) of leaving it to the villagers wholly, has proved satisfactory, as observed by the Mysore Finance Enquiry Committee. Inspite of the restoration work done in old Mysore area since 1894, the number of unrestored tanks has remained practically the same. By the time a tank is restored to its original capacity by raising the waste weir silting would begin again, and a second cycle of restoration will be found necessary to be taken up after some years. We have given this question our earnest consideration, since a sum of Rs. 7 crores has been spent on restoration of minor tanks under the two State Plans and a sum of Rs. 16 crores is provided for it under the Third Plan. In the first place it is necessary to bring the work of restoration of minor tanks under a single agency, instead of the responsibility for the same being distributed between the Revenue and Public Works Departments. There should be a single co-ordinating agency which will bring about concerted planning and action covering the entire programme of work. Secondly an effective and economical method of restoration should be evolved. Before any further restoration work is taken up, a systematic Talukwise survey of tanks should be carried out, as was done in 1892. No restoration work is to be taken up, until the survey is completed. Necessary staff on minimum scale should be appointed for completing the survey expeditiously. On the basis of the position disclosed by the survey, a decision should be taken as to the tanks which can be restored and those which it would not be worth restoring. The latter category of tanks may be treated as storage or percolation tanks in regard to which there will be no question of restoration at all. For restorable tanks a programme of desilting should be drawn up and carried out over a definite period. In drawing up such a programme, first priority may be given to (1) tanks the beneficiaries under which come forward voluntarily to pay 25 per cent of the cost as contribution, and (2) tanks situated in the famine area. The maintenance of all minor tanks after restoration should be entrusted to the local bodies concerned for maintenance out of a cess to be levied from the beneficiaries. The primary responsibility for the restoration maintenance of minor tanks should be fixed on the beneficiary and the customary obligation of the latter enforced either by contribution in labour or its equivalent in cash. This is a feature of Mysore Irrigation policy since time immemorial, which was often quoted as an example to be followed by the other States. But this healthy convention has almost fallen into disuse in Mysore and it should be the earnest desire of everyone interested in the irrigational advance of the State to restore and enforce it. Along with the responsibility for the maintenance and restoration of minor tanks to be devolved on the village panchayats, the fishery and other usufructuary rights in the respective tanks may also be assigned to them. After the restored tanks are vested in the village panchayats, further responsibility of the Government may be limited to repair of extensive damage due to floods, etc., which would be beyond the means of local bodies to execute. We stress the necessity and importance of not taking up restoration works without the Talukwise survey of tanks proposed by us.

Major Irrigation Projects.—The record of construction of Major Irrigation Projects is one of which the Department may feel just proud. Nevertheless we cannot help observing generally that the construction of the projects has not been as expeditious or as economical as it could have been if there had been proper investigation and physical planning and if the mid-construction alterations in designs and plans had been avoided. Our observation in respect to some of the projects, included in the Third Plan, are as follows:—

(1) In the Third Plan, Tail race development for the Sharavathi project has been included. Resources being inadequate even for the completion of the main work, this ancillary item can well be postponed and taken up in the Fourth Plan, by which time detailed investigation may be made and the exact quantity of water available at the tail end may be determined.

(2) While water is stored in the Bhadra Reservoir and the tunnel with a 100 mile canal is completed, yet ready water is not made available in the canal because of

blasting work in the 38th mile (right bank) being held up for want of explosives. If work in the other sections had been held up and available explosives used in the 38th mile, water could have been let into the canal for irrigation by now. This is typical of what could have been foreseen and avoided had there been physical planning. Immediate action is called for to remove the bottleneck.

(3) Under the Tungabhadra project the work on the Left Bank Canal has slowed down. This is said to be due to want of explosives and delay in the settlement of contract terms. The explanation does not carry conviction. These matters could have been foreseen, and delay in execution avoided with better care and attention on the part of the project authorities.

(4) At the Munirabad Power Station every thing is ready for generating power. Power is badly needed in the area. Yet the generation and suply of power is delayed as the transmission line is not ready. The construction of transmission line should be expedited.

(5) The Kabini Project was expected to be completed in 3 years. It is over 2½ years since the work was taken up and it is still in the designing stage. Staff has been employed and continued without sufficient work.

(6) Though the Ghataprabha Project was started a year and half ago, the design is just finalised. The delay is due to want of proper investigation of foundation and availability of materials required for the work. A programme should be drawn up to raise the dam by 25 feet by the next season to irrigate the entire extent of 1,20,000 acres, as the channel and distributaries to feed this area are ready.

We have already referred to projects being taken up without proper investigation and preparation of estimates and clearance (technical) by the P.W.D. The Malaprabha Project is one of such projects which involves the appointment of staff for unnecessarily long periods without any need therefor. In our opinion the investigation of the porject should be completed expeditiously as the project has been taken up already, and the staff which is surplus for investigation work should be retrenched.

A comprehensive and systematic assessment of the water resources of the State, including underground water, is necessary to afford a proper basis for planned irrigation and optimum use for power generation and industrial purposes. The Maharashtra Government set up a State Irrigation Commission last year for the investigation of progress of irrigation, orderly exploitation of water resources, and various problems connected with irrigation development in that State. The constitution of a State Irrigation Commission in Mysore on similar lines is recommended. One line of new development that should be explored in Mysore is the use of Irrigation canals for navigation. The canals in the T.B. Project are designed for navigation by small craft up to certain limits. Water transport being the cheapest form of transport. The possibility of designing the canals in the new projects as water-ways should be kept in view.

The major part of the State lies on the plateau and within the two great river basins of the Cauvery in the south and Krishna in the north. Of the several rivers and streams in the State, those flowing west have little or no significance for irrigation though their potentialities for power development are high. The run-off in almost all the minor rivers and streams in the State have already been harnessed and turned into account under the State's tank-system. Further irrigational development is bound up mainly with the utilisation of the water resources of the Cauvery and Krishna river valleys. Want of Inter-State understanding about the sharing of the waters in these rivers systems is the main difficulty which at present is standing in the way of planned utilisation. Mysore has an existing agreement with Madras since 1924 regarding the sharing of the Cauvery waters. Since the whole regimen of the Valley has been changed since, with the construction of Mettur Reservoir and other factors, a revision of the agreement is necessary to safe-guard the water-rights of Mysore for planned development in the valley. In the Krishna Basin a formula for shraing the Tungabhadra Waters was arrived at on the eve of the construction of the Tungabhadra Reservoir. A satisfactory and equitable formula for the sharing of waters of inter-State rivers has to be evolved with the concurrence of the State Government concerned. The whole question of sharing of waters of the inter-State, Krishna and Godavari rivers is being discussed *de novo* between Mysore, Maharashtra and the Andhra Pradesh Governments. Meanwhile the Central Government has set up a Commission under the Chairmanship of Sri Gulhati to investigate the problem of inter-state rivers of Krishna and Godavari and optimum utilisation of their waters. The latest press reports carry the announcement of the constitution of River Boards by the Central Government for the proper regulation and development of inter-state rivers and river valleys. The composition and functions of the Boards have not been announced. If they are on the pattern as the Tungabhadra Board, they are likely to become costly and ornamental head-pieces in the irrigational set-up. If they are purely advisory in nature, they will be ineffective. We are however definitely of the view that once the formula for sharing of waters is evolved and accepted by the States concerned, there should be no imposition of a body like the Tungabhadra Board for regulating the distribution of waters. The Tungabhadra Board is a white elephant. It is certainly superfluous and the expenditure of Rs. 5 lakhs p.a. on it may be saved by abolishing it. The State in which the head-works of a project is situated should take up the distribution of the waters according to the agreement between the States having interest in it. This is the pattern at the K.R.S. Reservoir for regulation of waters between Mysore and Madras. It may be followed in all similar projects.

So far as the Sharavathi Valley Project is concerned, the vicissititudes of its execution are due to several changes in designs and scope of the project during the execution. When the project was taken up the estimated cost was Rs. 55 crores. The estimate now stands revised to Rs. 80. The cost per K.W., as per original estimate was Rs. 550, the lowest for a Hydro Electric Project in India. The speedy execution of this most economical project would have been a national gain, but delay in execution has now put up the construction cost by more than 50 per cent. Even on the basis of the revised estimate of Rs. 80 crores, the cost per K.W. will be Rs. 800, which is still the cheapest of any Hydro-Project in India. As an Economy Committee we must express our deep concern and regret about the disproportionately large increases over the estimated costs of construction of some of the biggest State undertakings which have been allowed to occur but which with little planning and forethought in execution might well have been avoided. It is to be earnestly hoped that the second and final stages of the Sharavathi Valley Project would go through according to the schedule without any large changes in designs and in execution.

Some part at least of the delay in the execution of the first stage of this project is attributed to the scrutiny and technical clearance of the project by the Central Power and Water Commission. While we do not underrate the value and importance of high level technical scrutiny of projects of magnitude, we feel that a convention should be established, in the interests of expeditious work and economy in expenditure, that after a project has been technically cleared by the C.P.W.C., there should be no further interference in the course of execution of the project that might involve constructional changes or mid-construction alterations in designs and specifications. There is a Technical Advisory Committee in Mysore as already noted, which has a high reputation for engineering talent and competence. We do not see the need for detailed scrutiny by the Central Technical Commission of plans already once scrutinised by the State Committee. We urge that the relations of these two technical bodies be more clearly defined to avoid duplication of technical scrutiny and the attendant delay in the execution at projects.

The Government having announced the supply of power from the Sharavathy project by a certain date fixed as the target, the public of Belgaum Division whom we met expressed keen disappointment over non-adherence to the time schedule, since it would appear that they had made investments and entered into contracts on the strength of the Government announcement regarding supply of power. While we appreciate the difficulties in adhering strictly to time schedules in the execution of large projects with dependence upon imported materials, etc., we feel that planned execution loses its meaning and purpose, if the execution of projects bears no relation to time-schedule fixed after due consideration and announced in advance. In fixing targets of time for the completion of projects, therefore, we feel that all foreseable factors should be considered and a realistic estimate of time should be made, allowing for every possible contingency, so that the targets fixed are adhered to and public expectations based on such targets are duly fulfilled.

We must also refer here to the controversy that has arisen over the question of high and low dams. A strongly-worded memorandum protesting against the contemplated construction of a high dam at Harangi in

Coorg was handed over to us at Mercara. The contention of the memorialists is that by putting up high dams, a considerable extent of first class cultivable lands, coffee estates and valuable forest lands would be submerged, which is a net loss, against the doubtful advantage of bringing less fertile lands under irrigation at some indefinite period of time. It was suggested that the benefit of increased irrigation may be secured to an equal, if not greater, extent with practically no loss of existing cultivation and forest wealth, if, instead of putting up a high dam at one place over a river or stream, a series of low dams are put up at a number of places, duly spaced out. Though we are not called upon to express an opinion on the problem posed, we feel that the contentions put forth in favour of low dams should be carefully examined, since the danger of submersion of good cultivable lands and valuable forest areas by the construction of high dams and loss of plantation lands with consequent loss in agricultural income-tax and foreign exchange, is a real one and cannot be brushed aside. We are told that only a small part of the exploitable water resources in the big rivers in the State is being utilised now. The State cannot afford to lag behind in the matter of irrigational development by not harnessing untapped water resources. There should be no hesitation to go in for high dams if that is the only alternative. But other things being equal, low dams, which pose fewer engineering difficulties and make little or no demand on foreign exchange may be preferred, since the chances of submersion of existing cultivation and forest resources are definitely less. Besides low dams can be made labour-intensive. A definite policy decision should be taken as to the circumstances and places in which a high or a low dam would be more appropriate and economical.

A reference has to be made here to the unique feature of irrigation under the T.B. project, *viz.*, Localisation. Localisation does not envisage continuous irrigation but only in selected blocks categorised as perennial, wet and dry-*cum*-wet. The object of the scheme is to spread the benefit of irrigation over as many villages as possible in the commandable area. This scheme follows the conception of the project as a famine insurance measure and has as its aim the maximisation of the irrigable area with the given amount of water. The distributories have been so designed as to conform to a diffused rather than continuous pattern of irrigation. In view of the public grievance against the unsatisfactory working and adverse effect of the scheme on the development of irrigation under the project we had a discussion in the matter with the Divisional Commissioner, Gulbarga and the Deputy Commissioner, Bellary. There seems to be general agreement about the need for a reorientation of the scheme so as to on the one hand, to prevent the unauthorised use of water, and on the other to remove the anamolies to which the scheme has given rise in practical working. We understand that nearly 8,000 acres are being unauthorisedly irrigated under the Right Bank in Bellary District. In particular the night-and-day supply part of the scheme seems to be impracticable and supply of water on 50 : 50 basis for the different seasons has reduced cultivation to one season only. The several assumptions on which the supply of water in bulk is to be delivered by the Board to the respective State Government, and the manner of distribution of the water so supplied to the localised areas by the State Government, are not realistic and workable. If localisation in its present form is to be continued as the irrigation pattern for the project, a strict enforcement of the same is called for which means changing the existing irrigation practices in the locality. A possible simplification would be to reduce irrigation to three categories—Perennial, Seasonal or wet, and light irrigation. The supply of water could then be alternated between Light, Seasonal or Wet, and Perennial blocks in a simple way. Deterrent action is however called for against unauthorised use of water and to this end we suggest that (1) necessary provision for levy of substantial penalties should be made, whenever the unauthorised use of water is deliberate and (2) Engineers should be armed with powers to remove unauthorised devices and constructions for diverting water at the cost of the delinquent. In any case we strongly urge that the type of irrigation under the High Level Canal be confined to light irrigation only. Attempts that may be made by interested parties to permit wet cultivation under it should be firmly resisted. The Andhra Pradesh has set up an independent body for evaluating the progress and benefit of irrigational projests in that State. We recommend that an Expert Committee be constituted to examine the pros and cons of the working of the localization scheme and suggest remedial measures.

Economy in expenditure on public works depends to a great extent on the methods employed in construction. The question broadly is which of the three patterns, *viz.*, departmental execution of works, piece-work or job work and execution through contractors, should be followed in the interests of economy and expeditious work. The departmental system is more efficient though time-consuming. Contract works involve increased outlay, compared to those carried out departmentally to the extent of about 7 to 8 per cent. But the real difference in cost would be less than this if suspense account in Departmental work is added and income tax paid by the contractor is allowed for. In the past contractors with sufficient resources and experience were not available for taking up large works and almost all works of magnitude had to be done departmentally. The position has of late changed considerably. First class contractors are now available and are well equipped to take up and carry out works involving large outlay and construction efficiently. In fact contract system has come to stay and cannot be escaped where work has to be done within time schedules. The time-honoured method of departmental execution of work is found to be inadequate to meet the altered tempo of execution of works. This is the machine age and a lot of machinery is required in the execution of Public Works. Purchase of machinery by the Department will result in accumulation of dead stock after the works are completed. The piece-work system takes a long time while the tender contract system is time-saving though costlier at least by the amount of the contractor's profits. We gather that the job-work system adopted in the construction of the Bhavani Project in Madras State was found economical for masonry construction and resulted in sound work. We have discussed the relative merits of those alternative methods with the Chief Engineers. The general trend now is in favour of execution of works through contract. Mysore State was the pioneer in departmental execution of works but has now switched over to contract system due to overriding advantages of the contract method of work under the present tempo of execution works. The tunnel work in the Bhadra Canal which was taken up for execution departmentally to start with, had later to be given out on contract. The three systems have been fully examined by the Public Works Reorganisation Committee which recommended the contract system. We have examined the relative merits of the three systems and are of opinion that the departmental system is best suited for machine foundations, breach filling and in the case of works where measurements cannot be taken. Piece-work system or job work, may be taken up in restricted cases, such as earth work in canals, supply of materials by contractors, but limited to works costing Rs. 10,000. All other types of work, and works requiring the use of mechanical equipment may, we feel, be executed under contract with necessary safeguards under contract agreements. Tenders should however be called for and considered by a Committee of officers.

The execution of large projects under time schedules has brought about a certain amount of mechanisation of works through imported earth moving machines and other equipment, heavy trucks, vans, etc., at enormous initial and recurring expenditure. How far this process of mechanisation is consistent with the objects of planning to provide increased employment, and with economy in expenditure in the long run, are matters which require careful study. We were given to understand that imported equipment and machinery valued at crores of rupees are lying idle at Yaramaras and Lakkavalli and perhaps in other project areas also. The efficient upkeep and full utilisation of these costly machines does not appear to be receiving the attention it deserves. If the large number of earth moving machines and other equipment now lying idle could be repaired and reconditioned, it is possible that the expenditure on the import of new machinery, and foreign exchange difficulties attendant thereto could be minimised and execution of projects speeded up. There is a repair shop at Munirabad but its small size and lack of trained technicians are limiting factors which stand in the way of reconditioning and repair work being undertaken on the required scale. Besides there is no co-ordination between the several projects in regard to the maximum utilisation of surplus equipment available in them and of those to become surplus upon their completion. There is no Central agency to keep watch over the position and to secure the fullest and most economical use of badly needed spare and surplus engineering machinery and equipment. This is a serious position and we have proposed elsewhere that the responsibility for the management and control of the disposable equipment in the Public Works projects in the State be entrusted to the Stores Purchase Department, on the analogy of the Directorate of Disposals and Supply of the Government of India. Meanwhile we would raise the policy question of the degree of mechanisation of public constructions which may be permitted consistantly with the employment targets of planning. We feel that the types of work in several projects which may be mechanised should be specifically laid down, fixing also the proportion of expenditure on mechanisation to total outlay, and a ceiling limit for such expenditure. The practice of hiring out equipment and trucks to P.W. contractors, in vogue in the Belgaum Division is wasteful of Government resources and is also a source of malpractice. This practice should be terminated forthwith.

Notwithstanding the mechanisation of project works there is still a large employment potential in them. The trouble is not limited employment opportunities but non-availment of opportunities by local labour. One of the problems of project authorities today is to secure and keep the required labour force. While a growing population rate and swelling ranks of unemployed and under-employed persons in the State indicate that every available employment opportunity would be snapped up by local labour, a paradoxical situation exists on the projects of labour required having to be recruited mostly from outside the State. The high labour rates in projects is the direct result of shortage of working force in a State teeming with able-bodied persons in need of work. We feel that the entire question of the labour needs of projects and the best method of meeting the same calls for special study, and a co-ordinated plan of action on the part of the several project authorities in the State and also as between the Public Works Departments of neighbouring States. Since the successful and economical execution of the major projects in the State depends on the availability of labour mainly from Madras and Andhra Pradesh, the question of planned utilisation and movement of labour from one State to another may perhaps be considered and discussed with the Governments of the neighbouring States at the State level. We understand further that the percentage of vacancies of officers and staff in the projects is high due to the unwillingness of persons posted to join duty and work in project areas. This is one of the reasons for work being held up on the projects. While officers are required to work wherever they are posted, the tendency for those working at places like Bangalore is to bring personal influence to bear to have the transfers cancelled, or merely to apply for leave to avoid transfer to project work. These tactics must be sternly discountenanced. It would be necessary in the case of all Public Works Officers to make it a condition of their service to serve at least 5 years on project work in the initial period of service. Controlling Officers posted to Projects should not also be changed in the middle of construction or when the work is progressing.

With a large programme of irrigation, road and building works in the Third and succeding plans ahead, the need for improved techniques and use of scientific methods in construction arises in a greater measure than hitherto.

Engineering Research is a new development in the present context of high masonry dams, involving special designs for discharge of floods from such heights. High earthen dams are of course quite new in India which call for an advanced study of soil mechanics. Accordingly research stations have been opened in almost every State in India. In Mysore, as elsewhere, the height of earthen dams was limited in the past to 60 to 70 feet. Now earthern dams of over 150 feet in height have become common in big projects. There is a Research Station at the K.R.S. It has been doing useful work with the limited staff. A more intensified research is called for, especially in soil mechanics, for which the Research Station has to be reorganised and equipped. Further Central Government has allotted this year Rs. 125 lakhs for this work and allocated Rs. 6 lakhs to the K.R.S. Research Station for special items of work. Specific problems are also referred to the Station every year with suitable grants by the Centre. Research work needs the continuous attention and energies of whole time staff under an officer with special aptitude for original work. There are basic problems on hydraulic flow and applied research in local problems referred to by the Departments for study and suggestion of modifications with a view to safety and economy. Study of soils in connection with constitution of high earthen dams is a specialised field, calling for intensive research, the value of which lies in the fact that earthen dams are more economical than masonry ones. The K.R.S. Research Station is now manned by persons drawn from the P.W.D. without regard for aptitude for research. The officer and staff cannot be expected to evince interest in research. Proposals for reorganising the station and expanding it have been submitted to Government with a view to tackling problems in hydraulic construction and cognate matters like soil mechanics which have revolutionised the construction of high earthen dams. It is very necessary for this purpose to make a careful selection of persons of high calibre to work in the Research Station. The present proposal is to make the Research Station an independent unit in the Department under an officer with high academical qualification and experience of research work of not less than ten years. This is in consonance with the principles of recruitment for such institutions in all States. We recommend the reorganisation of the Research Station on the lines proposed.

We may now pass on to economies under establishment in the Public Works Department. The ratio of establishment to total outlay is 10 per cent in respect of diffused works and about 7 per cent for compact works. The corresponding ratios in Maharashtra and Kerala also range from 7 to 10 per cent. *Prima facie* the percentage of establshment charges is reasonably low. But it is low only as a percentage, since in the last two years establishment charges have increased four fold, whereas the outlay has increased only two-fold. Even the increase in outlay cannot be considered as increase of work in terms of physical units. In a number of Divisions the establishment charges are more than 15 per cent.

We feel that if the Department had been organised on the principles enunciated by the P.W.D. reorganisation Committee, the present multiplicity of engineering staff and the tendency to create new organisations with hierarchy of officials for every new activity would have been avoided.

There are four Chief Engineers [including the Chief Engineer (Civil) Sharavathy Valley Project], 23 Superintending Engineers, 112 Executive Engineers (exclusive of 17 O.O.D.), 736 Assistant Engineers, 1,936 Junior Engineers and 2,502 Supervisors. There is functional division at the Chief Engineer level, with one Chief Engineer for Communications and Buildings, one for Public Health and Minor Irrigation and one more for Irrigation Projects (Major). Below the Chief Engineers, Communication Buildings and Irrigation are combined at all levels. The Public Works Circles comprise 6—7 Divisions each. The Public Works Division is the sheet-anchor of the Department. The 'Bible' of the Department is the work-load of Rs. 35 lakhs for a Division. In Maharashtra an Engineering Division normally corresponds to a Revenue District. The normal load of a Division was 35 to 40 lakhs for a maintainance works Division. This pattern was recommended by the Reorganisation Committee for Mysore. But this work-load of Rs. 35 lakhs p.a. for a Division in Mysore was fixed for a maintainance Division with scattered works and at a time when the cost of materials and rates for labour were relatively low. It could easily be doubled now, in view of decided rise in the cost of materials and labour, and the fact that most of the works in the Department are now entrusted to contractors. Really it is not the outlay but the work area to be supervised and the number of bills to be checked and paid, that should be taken as the criterion for determining the work-load. Standards of performance fixed in terms of outlay are valid only when the ruling prices remain steady. They became unrealistic when prices fluctuate from year to year. It would be a great improvement if workloads in the P.W.D. can be expressed in terms of some measurable unit of works instead of in terms of outlay. The following are the factors that enter into the determination of work-load in terms of physical units of P.W. Divisions.

(1) Territorial area,

(2) General State of development of the area and communication facilities,

(3) Number, type and nature of work,

(4) Engineering resources,

(5) Contractor resources, and

(6) Fiscal allocations.

If each of these factors could be given some numerical indices based on certain norms, the work-load could be arrived at by the algebric sum of values of such indices with due allowance for the effect of variation of each. Other things being equal, performance of a Division should increase if the works are few but large and concentrated. To illustrate, the performance of certain Headquarters Divisions, like Bijapur and Dharwar, was, as a result of favourable factors, as high as Rs. 87.21 lakhs, and Rs. 108.12 lakhs, during 1960-61. Thus work-loads up to Rs. 1 crore are quite feasible under favourable conditions. But a redistribution of Sub-Divisions and some increase of technical and ministerial staff would be necessary in proportion to the quantum of work outlay and fiscal allocations from year to year. An outlay of Rs. 10 lakhs for a Sub-Division is also not too heavy with favourable factors, but there would be a good case to strengthen the subordinate staff, as otherwise the defficiency is likely to be made up irregularly by drawing upon the work-charged establishments. In less developed areas, a larger territorial jurisdiction with relatively smaller outlay would be permissiable until the resources of the area are built up and the required limit of outlay is progrssively reached. The work-load in the Buildings and Highways Divisions could well be a crore of rupees, since though the outlay is more the number of work to be supervised and the area of supervision is small and manageable. In the case of Buildings Divisions and Sub-Divisions, the criterion is not the outlay so much as the number of buildings in the same area that can be easily supervised by one officer. Again, many of the works are now done on contract and require a lesser degree of supervision than works executed departmentally. The work-load may therefore be substantially higher now than in the past, and it would not be proper to base proposals for the creation of additional Divisions and Sub-Divisions on the work-load formulas evolved formerly. We had a discussion with the Chief Engineers about the proper work-load in the Department. The work-load, now varies from less than Rs. 30 lakhs to Rs. 112 lakhs p.a. for a Division. The Departmental view is that Rs. 30 lakhs may be the minimum and Rs. 55 lakhs the maximum, work-load for a Division subject to every Revenue District being constituted as the basic Public Works Division. Many of the Divisions now have not even the load of 35 lakhs. But the average work-load for 1960-61 was Rs. 40 lakhs and even this, for the reasons we have given, is quite low under present conditions. There are Divisions even now in which the work-load is over Rs. 80 lakhs. After a careful consideration of all relavent factors we are of the view that the work-load for an ordinary Public Works Division with concentrated capital works may easily be between Rs. 60-65 lakhs, where road and building works are more than irrigation works, and Rs. 50 to 55 lakhs, where irrigation works are more than building and road works. It could be considerably more for the special Buildings and Highways Divisions and for construction Division in projects. On this basis broadly a 50 per cent reduction of establishment becomes possible immediately. With a Technical advisory Committee composed of experienced Engineering Officers functioning in the State and with the Central Technical Advisory Commission, it would be entirely unnecessary to create top-level posts in the State at the Secretariat level for technical advice. The multiplication of technical advisory bodies is, in our opinion, one of the reasons for delay in the implementation of projects. We reiterate our recommendation already made to abolish the post of Technical Adviser in the Secretariat and along with it of the technical staff of Executive Engineer attached to him as Administrator, Sharavathy Valley Project. There has in the past two years been a marked increase of new P.W. Circles, Divisions with a herarchy of officials for every new scheme or activity in the view presumably that the posting of more officers would secure better supervision and the appointment of more staff would automatically quicken the progress of work. The actual result of posting more officers to projects and schemes has been paradoxically poorer outturn and quality of work. Moreover the creation of a number of senior supervisory posts has given accelerated promotion to junior officers with insufficient service and expenrience. The result is a lowering of standards of supervision and the tempo of execution of works.

There was a suggestion that the working of the Department would be greatly simplified and made more effective if there were only one Engineer in Chief as the head of the Department and the other Chief Engineers were his close associates. The alternative pattern is to split up the P.W.D. into two Departments, *viz.*, the Department of Irrigation and the Department of Highways and Buildings, with separate cadres of engineers and subordinates for each. We discussed these alternative patterns with the Chief Engineers. The separation of functions is now at the Chief Engineers level only. The Department sees no objection however to extending the principle of seperation to the Superintending Engineers level to start with, pending the gradual bifurcation of the Department into two with separate recruitment for each from the level of junior Engineer upwards. The question has been thoroughly examined by the Reorganisation Committee which came to the definite conclusions that the creation of a separate cadres of engineers and officers below the level of Chief Engineers was not desirable. We agree in this view. The present functional division at the Chief Engineers level seems, in our view, to be quite adequate. The bifurcation of the Department also involves greater expenditure on establishment while the existing establishment itself is excessive. The only suggestion we have to make regarding the Chief Engineers level is that the Office of the Chief Engineer, Major Irrigation Projects be shifted from Munirabad to Bangalore, since his main work is mostly at Bangalore and he practically spends 20 days in a month there. His presence alongwith the two other Chief Engineers at Bangalore would also conduce to closer collaboration between them. The Committee is glad to note that the Government issued a direction in 1956 that Chief Engineers should meet as a Board once a month to discuss common subjects and problems. We would like to see this direction being faithfully carried out. As Sharavathy Project is one of the major projects in the State it should come under the Chief Engineer, Major Irrigation Projects. There is no need for a separate Chief Engineer for the Civil Works for the Sharavathy Hydor Electric Projects. The Chief Engineer, Major Irrigation Works could look after this project as well after his headquarters is shifted to Bangalore. We recommend that the headquarters of the Chief Engineer, Major Irrigation Works be immediately shifted and the post of the Civil Engineer, alongwith the office staff Sharavathy Valley Project, be retrenched forthwith. The maintainance of Irrigation works like K. R. Sagar and other medium projects, now entrusted to the Chief Engineer, Major Irrigation Projects, may under the new arrangement, be transferred to the Chief Engineer, Irrigation and Public Health. The savings from this item alone would be Rs. two lakhs a year. The staff in the offices of each of the Chief Engineers in excess of the scale suggested by the Reorganisation Committee of Public Works Department, should also be retrenched. The posts of Superintending Engineers are purely supervisory in nature. There has been a view from a long time that these posts are superfluous. Previous Economy Committees have recommended the abolition of these posts. But we feel that these posts are necessary for effective and overall supervision, though the existing number of posts is excessive and should be reduced. It must be remembered that the State is spending crores of rupees on public works and that the Chief Engineers cannot be expected to supervise execution of all the works personally. Moreover it is well known that supervision is the weakest point in Public Works administration and Superintending Engineers play a useful and necessary part in supplying this deficiency. We are not in favour however of Superintenring Engineer's circles being created with reference to work-load in terms of outlay as the practice is at present.

There are 30 Superintending Engineers, inclusive of seven on other duty outside the department. In our view it is sufficient to have a Superintending Engineer for each of a Division in the State. In addition two Superintending Engineers for Irrigation, one for Cauvery and Upper Tungabhadra regions, and another for lower Tungabhadra and Upper Krishna regions, are necessary. There should be a Designs section in the offices of each of the Chief Engineers and we are of the view that the section should be in-charge of a Superintending Engineer, as designing work should only be done at a high technical level. This is also the recommendation made by the Reorganisation Committee. There is a Superintending Engineer for the Technical Audit Cell at the State level attached to the Anti-Corruption Department. We have already recommended that the Technical Audit Cell, with the personnel, may be transferred to the Secretariat to work under the Secretary to Government, P.W.D. We are definitely of the view that the posts of Superintending Engineers should be restricted only to the charges referred to above. Accordingly we recommend as follows:

(1) Investigation Circles at Mysore, Dharwar and the power project at Dharwar, be abolished forthwith;

(2) The posts of two Superintending Engineers in Bhadra Reservoir be reduced to one, as the work on the dam is completed; and

(3) The posts of two Superintending Engineers in Tungabhadra one for the right bank channel and one for left bank channel be reduced to one, whereby uniformity in the regulation of water and development of irrigation in the entire ayacut will be secured also.

(4) In place of two Superintending Engineers, one for Malaprabha and one for Ghataprabha, one Superintending Engineer with headquarters at Dharwar would be sufficient since only one Karnataka Irrigation Circle

was stationed in the earstwhile Bombay at Dharwar, and as the Malaprabha Project is still at the investigation stage and one Superintending Engineer can look after it along with Ghataprabha Project.

(5) The Highways Investigation Circle may be abolished, in view of our general recommendation to abolish Investigation Circles and to create Designing Circles under each Chief Engineer.

(6) The creation of a Building Circle for supervising buildings executed by contract in the Bangalore City area is superfluous as designs are done in C.E.'s office and elevation is attended to by the Architect. This may be abolished forthwith.

(7) In the Sharavathy Valley Project there are three Superintending Engineers. In view of most of the work in the project being given out on contract, there does not seem to be any justification or need to continue the three Circles. We recommend that one of the Cirlces be abolished and the post of a Superintending Engineer retrenched immediately.

(8) There is no need for the post of a Special Investigation Officer in the Secretariat and this post may be retrenched immediately. As this post is of the grade of Superintending Engineer, the services of this officer may be utilised for the designs section in the Office of the Chief Engineer, Projects.

The above recommendations would result in the reduction of ten posts of Superintending Engineers along with their office establishment and save Rs. ten lakhs a year.

There are 112 Executive Engineers, exclusive of 28 on other duty. We recommend the reduction in the number of Divisions, on the basis of the revised work-load :

(1) There are Six Executive Engineers in the Chief Engineers Office, at two each for the three Chief Engineers. Only one Deputy Chief Engineer of the status of Executive Engineer for each Chief Engineer was proposed by the Reorganisation Committee. The existing number of Deputy Chief Engineers is excesive and may be reduced by three.

(2) There are 4 Buildings Divisions at Bangalore, including the Electric Factory and Dairy Division. The Electric Factory extension and Dairy Division could be

clubbed together into one and one Division abolished. The special Buildings Division should be abolished as soon as the work now in progress is completed.

(3) Two Divisions, viz., Krishnaraja Sagara Division and the Coorg Division, can be conveniently combined into one, with headquarters at K.R.S. as this will ensure better control over inflows in the Cauvery river.

(4) Since most of the materials are obtained through the S.P.C. the organisation of the Controller of Stores in P.W.D. is not necessary and may be wound up.

(5) The three Divisions in Mysore District may be reduced to two by redistributing the work of the Krishnarajapet Division.

(6) Only a single Division in charge of senior Executive Engineer for Kolar District was recommended by the Reorganisation Committee. The second Division is unnecessary, considering the area of supervision and work-load, and may be abolished.

(7) The Bridge Division in Raichur District may be abolished and reduced to a Sub-Division with necessary additional clerical and accounts staff to handle the large number of payments.

(8) There are two Divisions in Bangalore District. The P.W. Reorganisation Committee had proposed a single Division for the District under a Senior Executive Engineer. The number of Divisions may be reduced to one.

(9) The P.W. Reorganisation Committee considered that one Division is more than sufficient for Tumkur District. The second Division in the District is unnecessary and may be abolished.

(10) Irrigation forms the bulk of work in Bellary District for which there is a Special Division. There is also a separate Division for the Public Works in the District for which the load is too small. A special Water Supply Division is also working. One of these Divisions may be abolished and the work redistributed between two Divisions to be continued.

(11) There are two Divisions at Gulbarga and one in Bidar. The work in the 3 Divisions may be combined and the number reduced to two in all.

(12) Belgaum District has 3 Divisions, two regular Divisions and one for Water Supply. Since the work

in the latter is understood to be almost complete, it may be wound up. The residual work may be entrusted to one of the other Divisions.

(13) Dharwar District has two normal Divisions and one Special Division. The Special Division is not necessary and may be abolished, the work of this Division being distributed between the two regular Divisions.

(14) All the four minor Irrigation Divisions may be abolished and the work entrusted to the regular divisions.

(15) There was only one Division for the whole of South Kanara District. At present there are 4 Divisions, two of which are Highway Divisions. As the work is done on contract, a single Division for Highways is sufficient and one of the two Divisions may be abolished.

(16) The Special Ore Road Division, Hassan may be abolished, the work relating to it entrusted to the regular Divisions of Hassan and South Kanara.

(We are generally against the constitution of Special Divisions only for improvement of roads, since the Executive Engineers of regular Divisions who have necessarily to pass over the roads in their jurisdiction every time can take care of the roads also).

(17) There are, at Tungabhadra Dam, 9 Divisions, apart from the Board, 3 for the left Bank and 6 for the Right Bank. Of the former, one is a Mechanical Division and the other 2 Divisions are necessary for the work under the Localisation scheme. It should be possible, however, to reduce the 6 Divisions on the Right Bank to 3 by suitable redistribution of work, which is too light for the present number of Divisions.

(18) Of the 4 Divisions for Ghataprabha Project, 3 are more than sufficient and one may be abolished.

(19) One of the two Divisions for the Malaprabha Project may be continued for investigation and the other abolished.

(20) No. 5 Canal Division and the Tunnel Division of the Bhadra Project can be wound up as the work is practically over.

(21) The Sharavathy Project has 7 Divisions under the Chief Engineer (Civil) and 2 Under the Chief Engineer (Electrical). Five out of these may be retained up to end of 1962, and reduced to 3 after March 1963. The remaining four may be abolished forthwith as there is not sufficient work in view of the contract system of work.

(22) There is no need for the Executive Engineers now attached to the P.W.D. Secretary. They may be withdrawn, and if need be, an Assistant Engineer may be posted as Under Secretary, as before.

(23) Minor Investigation Divisions at Bangalore, Shimoga, Raichur, Dharwar, Belgaum may be transferred to the respective Circle Superintending Engineers.

(24) There are three Divisions for the West Coast Road. The number may be reduced to two, and the other abolished.

On the basis of the above recommendations, 33 posts of Executive Engineers, which are clearly superfluous, may be abolished with savings in recurring expenditure of the order of Rs. 56-60 lakhs p.a. The number of Assistant Engineers and Junior Engineers, may be reduced in proportion to the reduction of posts of Superintending and Executive Engineers proposed above. We consider that a reduction of 30 per cent of the existing number of Assistant and Junior Engineers and of corresponding strength of subordinate executive and clerical staffs in the Department is possible and should be effected.

45. *Summary*

3.151. We may sum up the financial effect of the recommendations made in this Chapter.

3.152. We have recommended general economies in expenditure common to all departments, and also specific retrenchments and savings in each Department. Our proposals regarding territorial reorganisation would result ultimately in the reduction of offices and establishments upto 25 per cent in all departments at the Divisional, District, and Taluka levels. We have suggested a simplification of procedures and methods of work in Government offices for reducing paper work and clerical staff at all levels of administration. On the basis of this and of the work-load formula of 10 receipts per day per clerk, an overall reduction of 20 per cent in the existing clerical grades is to be expected. We consider that the fixation of proper work-load for the executive and technical categories of subordinate staff would enable their number being reduced by 10 per cent of the present strength at least in all government departments. A substantial economy in expenditure can be secured by the progressive reduction of Class IV employees in the State in the ratio of one such employee to ten of the total staff in each government office. The precise effect of these general economies, and of specific retrenchment proposals made by us, has to be calculated. On a rough estimate, the saving to accrue may be taken as Rs. 3½ to 4 crores p.a. ultimately, which covers on the whole the recurring expenditure of about Rs. 4 crores a year due to the revision of pay scales. But to start with, economy to the extent of 1 to 1½ crores a year may be effected immediately by implementing the specific recommendations made in this chapter.

CHAPTER IV—ADMINISTRATION OF TAXES

(1) GENERAL OBSERVATIONS

4.1. We are required to examine the working of the existing taxation measures in the State and to suggest the ways of improving them from the point of view of (1) fiscal adequacy, (2) efficacy and (3) convenience to assessee in the matter of collection of taxes.

4.2. As observed by Dr. P. S. Lokanathan, 'Better tax administration is what the country needs at present and plugging the leakage in the taxes is the most urgent reform'. While levy of new taxes is inevitable, it is most essential to secure efficient administration of existing taxes. Not only shortcomings in the tax-structure and in the fiscal laws, but deficiencies in administration and delay in recovery proceedings, are responsible for the failure of administration to collect the taxes efficiently and economically. The imposition of more taxes in the post-Independence period has developed a resistance to tax payment and led to assessment orders being challenged and contested in the courts of law in a larger measure than before. Fiscal acts are usually construed in favour of the assessee and modification of fiscal acts have to be undertaken frequently to remove the ambiguity or legal flaws that made escapement of tax possible. While legal evasion is an indirect cause of ineffective fiscal administration, laxity in recovery proceedings, either due to procedural defects or simply to interference in the normal processes of tax collection, is responsible directly for accumulation of heavy arrears and for a sizable amounts becoming irrecoverable. The possibility of collusive under-assessment, and of complete escapement of tax liabilities also, cannot be ruled out.

4.3. There is a general complaint that the more recent tax measures ignore the canons of economy and convenience and that they afford scope for evasion on the part of the dishonest, and cause more hardship to the honest tax-payer. The problem of tax-evasion has indeed assumed serious proportions and it is feared that in spite of new tax measures and stepping up of tax rates, the revenue realised falls short of the expected amount by a sizable margin. Escapement of tax liability by a section of tax payers makes it necessary to raise the tax rates further, which makes taxation more oppressive and intensifies the psychological resistance to taxation, leading to a greater degree of evasion than before. The honest tax payer is hit hard every time a tax rate is raised, since the short-fall in receipts due to tax evasion by the dishonest increases the burden to those who cannot escape it. It has to be remembered that a tax payer in a democratic set-up of Government is a citizen invested with political rights and power to vote, and he can often place himself in a position of vantage, which makes it extremely difficult for the collecting authority to enforce the recovery of tax. The extent of evasion and the loss of revenue to the State thereby have not been estimated, and indeed it is extremely difficult to make an exact estimate of it. Tax evasion has been raised to the level of a fine art. The methods which a tax-dodger uses are usually such as cannot be overcome through the usual administrative procedures. Some means must be found to keep track of assessees who escape taxation and check the methods employed by them to evade tax liability. The administration of fiscal acts has to be tightened up and penalties made sufficiently deterrent to remove the temptation to evasion. It is necessary to take stern and impartial action against defaulters irrespective of their status and station in life. Paradoxically persons of moderate means are generally prompt and regular in the payment of taxes and the persistent defaulter is one who has the means to pay but feels that he can manage to escape payment through legal or other means. In a democratic form of Government it is necessary to make the citizen realise that deliberate default in the payment of tax is an anti-social act. It is equally important for the tax collection staff to understand that the tax payer has to be treated with respect and with consideration and that it does not pay in the long run to create the impression in the tax-payer's mind that he is being harassed. We feel that the psychological distance that now keeps the collecting agencies and the tax payers apart should be narrowed down and that the taxation departments of

Government made to realise the importance of developing happier and more cordial relations with the assessees by keeping up contacts with the latter and meeting them periodically to discuss and understand their practical difficulties and to solve the doubts felt by them. The tax payer must at the same time be made to see that the State in demanding the tax is only asking the citizen as a partner to pay just the partner's share, and that for the citizen to deliberately withold the payment of tax due by him amounts to defrauding the partner. No taxation without representation is the battle cry of democracy. But democracy cannot work if representation, which is always keenly contested, is not accompanied by willingness to bear the burden of taxation. The usual plea for non-payment of tax is either that the tax is inequitable or that the tax payer has not got the ability to pay. But the real difficulties of a tax payer arise on account of too frequent changes in the tax laws, schemes of taxation and increase of tax rates, which call for readjustment of the tax payers' affairs and finances on each such occasion. More than the tax itself, the manner of its payment and the timing of the demand, can have an upsetting effect on the person who has to pay it. Generally speaking the collection of an indirect tax requires less staff and presents fewer administrative difficulties than the collection of direct taxes.

4.4. One criticism regarding the existing State taxes centres round the high cost of collection. We understand that the collection charges for State taxes as a whole is about 10 per cent. In the case of Central taxes the collection charges, as a percentage of revenue realised, is stated to range between 2.38 to 2.78 per cent. The cost of collection of the States' sales tax and Motor Vehicles Tax is 3 per cent, as compared to 2.34 per cent and 2.17 per cent respectively in the case of the Union Income and allied taxes and Excise and Customs duties. It has been pointed out that the collection charges of Central taxes are high and are capable of reduction. But what the normal percentage of collection charges to the State or Central taxes should be, has not been worked out or laid down. It is observed that the percentage of collection charges of State taxes has been on the increase, though it is to be expected that it would have come down with increases in tax revenues. The increase in tax collection charges is explained to be due to wider scope and coverage of taxes and the employment of larger staff for checking evasion and plugging loopholes. It is stated further that the increased expenditure in the taxation departments from year to year is the result partly of salary revisions and normal increments in pay. Nevertheless we feel that some part of the increased cost of collection is avoidable, and may be minimised, by a simplification of fiscal laws and modernisation of procedures for the levy and collection of taxes. The tendency in particular of appointing special staff for the clearance of arrear assessment work, and for the recovery of old arrears, is to be deprecated. It is the responsibility of the Heads of Departments and senior supervisory officers to prevent the accumulation of arrears, and to take timely and stern measures by pulling up the subordinate staff whenever a tendency for slackness in recoveries is observed. It must be remembered that it is administratively easier to collect a current demand but that it becomes enormously difficult to recover it when it falls into arrears.

4.5. While accumulated arrears of Land Revenue, Excise and Sales Tax are heavy indeed in the Gulbarga, Mysore and Bangalore Divisions, we feel that the position in regard to the recovery of Visvesvaraya Canal dues in Mandya District is particularly unsatisfactory. We see that a sum of Rs. 47.76 lakhs was outstanding recovery at the end of 1959-60. Though the arrears were about Rs. 78 lakhs in 1954-55 and there was some good progress in recovery during the years 1954-55 and 1955-56, the position has worsened since then and the collections including the arrears have dropped and are successively less than even the current demand. We discussed the matter with the Divisional and the Deputy Commissioners. Several difficulties, including booking of wrong demand and loopholes in the procedure for recovery under the State Land Revenue Code, were pleaded for non-recovery of old arrears dating back to over quarter of a century. While we were prepared to consider administrative difficulties, it was astonishing to hear a top-ranking officer speak as though arrears of half a crore of rupees were really a trifling matter and to be further told that Government had really nothing to lose by the arrears accumulating, but stood to gain as interest was chargeable on outstanding amounts. We just cannot believe that the cultivator in the Visvesvaraya Canal area has no capacity to pay. The rectification of demand is an old story which cannot be trotted out now, since special audit staff was appointed as far back as 1950 for the purpose and is still functioning. Evidently the collection work has not been taken seriously in this area and no one has, even after so many years, taken the trouble to get the demand booked correctly. Our impression is that this state of affairs has persisted because of the complaisant attitude adopted by the Revenue officers. The situation demands greater awareness of their responsibility than they have shown so far. It is possible even now to realise the greater part of the arrears by fixing up realistic targets of collection and enforcing the same with determination and energy. We make two general recommendations in this behalf for the future, *viz* :—

(1) Definite targets of collection of current demand and of arrears should be fixed up for each Revenue Division, District, Taluka and Hobli with reference to the circumstances of each area and that the work of each revenue officer and official should be judged by the recoveries effected against the targets fixed. Penalty for failure to come up to the standard, in the form of withholding increments, reduction, or demotion to a lower grade, according to circumstances should be regularly imposed. Penalties should also be imposed for substandard work in respect of assessment in the Sales Tax and Agricultural Income-tax Departments. *Per contra*, efficient assessment and collection work should be rewarded by giving the official concerned advance increments and accelerated promotion for repetitions of good and satisfactory work. Normally no special staff for clearing arrears of assessment and collection should be appointed, this being the normal responsibility of the regular departmental staff. The working of the staff in the revenue earning departments should be related to results so that they develop a proper sense of responsibility and become habituated to a better standard of performance. Before this can be done, however, the fiscal laws and procedures in the State should be simplified and made uniform. Though uniform tax laws have been enacted already in respect of Sales Tax, Motor Spirits and Vehicles Taxes, Agricultural Income-tax, Registration and Stamp duties, there is no uniformity in the administration of Land Revenue, levy of cesses and of seigniorage rates for forest products and the recovery and collection of royalty on minor minerals, etc. There are still many more loose ends

to be tied up before it can be said that the working of the State's fiscal laws has been put on a satisfactory basis.

4.6. The ideal tax is one that collects itself. None among the State taxes answers to the description. Land revenue assessment has fallen into arrears in almost all the Districts excepting in the Belgaum Division. Excise and Land revenue arrears are particularly heavy in the Gulbarga District. Sales tax arrears in the State now exceed a crore of rupees. In view of the levy of new taxes and increases in the rates of existing taxes in the offing, the realisation of tax revenue should be tightened up made effective, if the Government is to face unpopularity without the public exchequer being substantially benefitted. We have given our anxious thought to the question of improving the collection aspect of taxation. While tightening up the working of the collection machinery and imposing severe penalties for non-payment of taxes are necessary and should be considered, some way has also to be found (a) to make the tax payer become more regular and punctual in the payment of tax and (b) to make him realise that it is not to his advantageous to become a defaulter. A good number of tax payers do pay taxes regularly without being prompted into payment either by coersion or threat of coercive proceedings. There is a considerable body of persons in the State who show resistance and manage not to pay the taxes until they are actually forced to it. The time and expense of launching coercive proceedings can be minimised directly, by stiffening up the penal clauses in the State's fiscal acts and indirectly by making the assessee see that tax dodging does not pay in the long run and would inevitably be followed by serious consequences, apart from penalties provided in the fiscal acts. One broad suggestion that we may throw out is to introduce prosecution as a specific penalty for wilful default in the payment of the more important State taxes. The Sales Tax Act provides for prosecution for non-payment of tax. The question arises whether such a provision, with safeguards to prevent abuse of the power, may be made under other fiscal acts also. We would definitely recommend it in the case of evasion of tax and default under the Motor Vehicles Taxation Act, the provision to prosecute being, however, vested in a sufficiently high authority to avoid misuse of the same. In the case of evasion of Sales Tax by casual traders, and by removal of goods in lorries without payment of tax, a provision for confiscation of the goods escaping taxation may be appropriate and is suggested for consideration. Another effective way of preventing undue delay in the payment of taxes is to raise the penalty, as in the case of Income Tax to a sum equal to the demand, a fine of a specified amount being levied with the first notice, and the same increased up to the tax amount with the second and final notice. *Per contra*, prompt and punctual payment of tax should be encouraged and for this purpose we suggest the grant of a rebate up to 5 per cent of tax on the pattern followed in the payment of Electricity dues. But it is necessary to go beyond specific penalties for tax evasion and non-payment of tax to make it the tax payer's own business to be honest and prompt in the payment of what is due by him to the State. In the case of Income Tax a Clearance Certificate is prescribed and has to be produced by a person applying for passport, etc. A clearance certificate on similar lines in respect of Land Revenue (including water-rate) Sales tax and Motor Vehicles Tax may be prescribed by the State Government and required to be produced by a person applying for pass-port, when 'no objection' certificate is to be granted by the State Government. A clearance certificate should also be required to be produced when a person (1) applies for licence to be granted under any of the State laws, (2) seeks Government contracts in Excise, P.W.D. or other Departments and (3) makes an application for loan of any kind to be granted by a Government Department or by the C.D. and N.E.S. Block. The production of clearance certificate may also be made a pre-requisite of candidature for election to the State Legislature and to Local bodies, including Municipal Councils. A black-list of habitual tax evaders should, we suggest, be made out by each Department of Government and such persons be made ineligible to take up Excise, P.W.D. and other Government contracts. It is for consideration also if the names of persistent defaulters may not be listed and notified for public information at the respective local offices. In the case of Government servants, persistant default in the payment of State taxes should be included in the Official Conduct Rules as a punishable item for which the penalty may extend from warning in the first instance to dismissal in extreme cases.

4.7. The incidence of Land revenue having become so light as a result of high prices fetched by agricultural produce, it would not be difficult for the land holder now to pay the revenue in advance. As Paul Appleby has said in quoting a Revenue Commissioner, ' the cost of a bundle of hay is now sufficient to pay the assessment of land of agriculturists.' Casual dealers under the Sales-tax may be required to pay one month's sales tax in advance at one-twelfth of the average of three years' turn over, or a minimum amount, whichever is lower. These payments made in advance may be adjusted towards the tax found to be due after concluding the assessment. In the case of appeals and revisions filed under fiscal enactments, the appellant or the petitioners as the case may be, should be required to deposit the disputed amount with the court of appeal or revision along with the appeal memo or petition, the amount in dispute being refunded if the appeal or revision is allowed, or adjusted either fully or in part, according to the final decision.

4.8. With these general observations, we may now proceed to review the working of the more important taxation Departments in the State.

(2) LAND REVENUE

4.9. Though the quantum of land revenue has increased from Rs. 403.86 lakhs in 1957-58 to Rs. 484.54 lakhs in 1960-61, it has declined in relative importance, as a percentage of the total tax revenue from 16.90 per cent in 1957-58 to 13.85 per cent in 1960-61. The cost of collection is about 10 per cent which is very high. This high proportion of collection charges to revenue realised is due mainly to Land Revenue having become static by the postponement of revision settlement in almost all the areas in the State.

We understand that re-settlement has been taken up in the (1) four Districts of the Belgaum Division, (2) eight zones of the old Mysore Area, (3) Zone No. 1 of the Gulbarga Division comprising the Gulbarga and Bidar Districts. Of these areas, work is understood to have been completed in respect of eight Zones, and reports finalised and submitted in respect of four Zones. In the thirteen zones taken up for resettlement, work is stated to be in progress. Resettlement work is not yet due in the entire South Kanara and three talukas of the Raichur

District and has not been taken up in the eight zones of old Mysore area, Bellary District, Coorg, the second zone of the Gulbarga District and six Talukas of Raichur District. The proposed increase in assessment rates in seven out of the eleven zones of the Belgaum Division, in which the work has been completed and report sent, has not become effective. It is understood that the increase in revenue from Revenue resettlement would be not less than 50 per cent and is likely to go up to even 100 per cent in almost all the zones. The additional resources to be secured through revision settlement will be considered in the next chapter. In the present context it is enough to point out that the progress of resettlement is very slow. The work has to be speeded up and definite targets of time fixed for completing it in each area with strict enforcement of time schedules. The Settlement Department should not be allowed to go about the work in a leisurely way but should complete the resettlement of all areas in the State, say, within a period of one year. This should be possible considering that the revision is made with reference to the price factor, *i.e.*, 'commuted value' and involves very little field work. The Department may also consider expediting the work by making use of the result of crop cutting experiments on sampling basis conducted by the Statistical Department. In regard to resettlement reports which have been finalised and submitted to Government, there should not be any further delay in passing orders thereon and announcing the revised rates of assessment.

4.10. We have referred to the very heavy Land revenue arrears. The total outstandings at the end of 1958-59 were Rs. 1,59,13,994, the arrears being heaviest in that order in Bidar (Rs. 33,69,483), Raichur (Rs. 32,54,269), Gulbarga (Rs. 18,58,949), Bijapur (Rs. 16,49,561) Districts, followed by Mysore (Rs. 9,86,563), Shimoga (Rs. 9,25,301), Dharwar (Rs. 8,84,675), Bellary (Rs. 6,74,342), Bangalore (Rs. 5,33,052), Kolar (Rs. 4,90,106) and Tumkur (Rs. 3,52,151) Districts. Out of the pre-Police action arrears of land revenue, amounting to Rs. 17 lakhs, in Gulbarga District, we understand that all arrears prior to 1948, amounting to Rs. 4 lakhs, is to be or has been written off according to the recommendation of the Official Committee. The Special Officer appointed for the recovery of old arrears has so far collected, it seems, only Rs. 5 lakhs. We have suggested that the post of Special Officer be terminated by 31st March 1962 and that the balance of recoverable arrears arranged to be collected through the regular revenue staff in the District. We understand that a sum of Rs. 32 lakhs is outstanding recovery under Taccavi loans in Gulbarga District and that a part of this amount has become irrecoverable. It is desirable to publish, by means of a proclamation in respect of old arrears in Hyderabad area and V.C. area, that interest and miscellaneous demand would be waived if the full amount of arrears are paid within a specified date. It is for the consideration of Government if the Co-operative Marketing Societies, Co-operative Sugar Factories and Warehousing Department may not be entrusted, by an amendment of law, with the duty of collection of Land revenue from the growers out of sums to be paid to the latter, or at the time of releasing their product, as the case may be. As a further means of recovery of revenue arrears and a safeguard against the lands pledged as security for the grant of Government and C.D. Project loans being sold for arrears of land revenue, any arrears of revenue, cesses and water rate due on such lands may be arranged to be recovered by deduction out of loan amounts before the same are paid. Similarly the Coffee Board may, by amendment of law if feasible, be used for the recovery of Land revenue by deduction out of the value of coffee payable to planters.

4.11. Land revenue is payable in two instalments in the Bombay Karnatak area and in four instalments in the old Mysore area. Now that the land assessment forms a relatively small part of the income of the agriculturist whose ability to pay has increased with the rise in the price of agricultural commodities, the number of instalments for the payment of Land revenue may be reduced to two uniformly throughout the State, with the option to pay the entire assessment in one lump with five per cent rebate. The reduction in the number of instalments for the payment of land assessment will result in a considerable amount of reduction of scriptory and accounting work and will also improve the State's resource position with reduced risk of the assessment falling into arrears and becoming irrecoverable.

4.12. The existing procedure for the recovery of Land revenue arrears itself involves much time and labour and requires to be simplified. The heavy arrears of Land revenue are undoubtedly the result of protracted ineffective and somewhat archaic procedures now followed by proceeding against the land, instead of against the defaulter. In the Belgaum Division, and in Bellary and South Kanara Districts, which came to the State from former Madras State, Land Revenue recovery proceedings are much simpler and more powers are delegated to the Village Officers for effecting prompt recovery. Hence the percentage of collection to the total revenue in these areas is higher than in the old Mysore area where the time-honoured procedure of putting up the land for sale is still being followed. Hence the delay in the recovery of arrears and the accumulation of heavy arrears in the Districts of the old Mysore area, as compared to the Bombay-Karnatak area. The remedy is of course to follow the pattern of recovery under the Bombay Land Revenue Code, or under the Madras Revenue Recovery Act, and to start the recovery proceedings with destraint of moveables. The procedure regarding the right, title and interest sales for the recovery of miscellaneous revenue demands requires to be tightened up and sales properly held should not be set aside or cancelled on formal or flimsy grounds. A procedure analogous to court sales may perhaps be adopted. It should further be possible after the appointment of the stipendiary Village Accountants to invest him with the powers of distraint, whereby the collection of Land revenue would be very much simplified and greatly expedited and accumulation of arrears will for the most part cease to be a problem for the revenue administration.

4.13. In regard to the levy of cesses, there is no uniformity as to the different cesses levied or their rates, in the several areas of the State. Some areas have two, others three and some others four kinds of cesses with varying the rates of levy. The accountal and collection of these numerous cesses involves a disproportionate amount of labour which can be avoided, and the recovery of the cesses made both rational and uniform, by making a consolidated levy of 50 nP. in the rupee of assessed taxes throughout the State, exclusive of maintenance cess recommended to be levied under the Mysore Irrigation Act. No cess may be recovered however on assessments below 50 nP. The consolidated cess may, after collection be divided for purpose of allocation between the several purposes for which they are levied.

4.14. We may refer briefly to certain specific items of leakage of revenue in the integrated areas of the State as follows :—

(1) The Madras Estates (Abolition and Conversion into Ryotwari) Act, 1948 is applicable to the Bellary District and presumably to the South Kanara District and Kollegal Taluk. But the said Act has application only to 'whole inam' villages. Bellary District has been specifically excluded from the operation of the Mysore (Personal and Miscellaneous) Inams Abolition Act, 1954, and the Mysore (Religious and Charitable) Inams Abolition Act, 1955, which contemplate the abolition not only of jodi villages but also 'minor inams' in the Ryotwari and Inam Villages. In view of this position, inamdars in the said areas continue to enjoy the benefit of quit rent, or immunity from assessment in the case of unenfranchised inam lands. In Madras and Andhra Pradesh 'minor inams' are fully assessed by means of separate legislation. The abolition of 'minor inams' and levy of full assessment on them in a single taluka like Siriguppa, Bellary District alone is expected to yield additional revenue of Rs. 58,000 per annum. For the Bellary District as a whole, the conversion of jodi and unenfranchised minor inams into fully assessed ryotwari lands will give an additional revenue of Rs. 2 lakhs per annum. The object in view can be achieved either by the extension of the two Mysore-Inam Abolition Acts to the Bellary District and presumably to South Kanara District and Kollegal Taluka also, or by means of separate legislation. We suggest that the matter be looked into and necessary action taken without delay, as the Government is losing the difference between the full assessment and jodi in respect of 63 inam villages in Bellary District alone, not to speak of those in South Kanara and Kollegal.

(2) Certain parts of the commandable area under the T.B. Project and V.C. Area, V.V. Sagar, and other major projects which are irrigable as also irrigated areas, have apparently been left out, of the ayacut and the revenue from this portion of the ayacut is being lost to Government. A survey of these areas should be made to locate the extents omitted and to bring them within the ayacut. Special staff under the Public Works Department may be appointed to book the correct and proper demand under water rate, betterment levy, etc.

(3) We were given to understand that the Ghataprabha Canal (1st stage) has an irrigational potential for monsoon flow of about 65,000 acres and that the remaining extent out of the assumed irrigable area of 1,20,000 acres would come under irrigation only after the dam is put up. In fact the present position is that though water is made available in the canal, it is not being purchased for more than 10,000-11,000 acres on the average, though perhaps in a year of less than average rainfall, the extent for which water is taken may be more, as happened during the years 1959-60 and 1960-61. Thus even after 10 years of the completion of the canal, the capital expenditure of Rs. 5½ crores incurred on its construction has been yielding only a fraction of the expected return by way of water rate. The engineering authorities, with whom we discussed the position, assured us that water in the canal would be taken up for an extent of 65,000 acres, provided action was taken forthwith on the following lines, *viz.*:—

(*a*) Subsidiary channels for conveying 1 to 5 cusecs should be dug and maintained by the Public Works Department.

(*b*) Field channels conveying up to 1 cusec should also be dug and maintained by the Public Works Department, recovering the cost from the beneficiaries, wherever the latter do not attend to the work.

(*c*) Levy of water rate should be made compulsory for all lands irrigable under the channel as under the Old Mysore Rules, instead of option being given to the land holders to take the water under the existing Bombay Rules.

[Government have since passed orders on (*a*) and (*b*) above].

We feel, in the interests of safeguarding revenue, that firstly the actual irrigable extent for the Kharif and for the Rabi crops, should be correctly determined and secondly that the present Bombay Rule giving the option to purchase water be abrogated and water rate levied compulsorily on the entire irrigable extent.

4.15. Experience of working the subsidy scheme for well-sinking seems to indicate that there is room for fraudulent practice. The loopholes in the administration of the scheme have to be plugged to prevent misuse of loans and subsidies given.

4.16. We understand that in Coorg only a partial assessment is being levied on Jammi lands. It was suggested to us that as there was no justification to continue the concessional tenure of land, the assessment of Jammi lands may be raised to the level of that on Sagu lands. It was also suggested that lands owned by Mutts in Coorg should be fully assessed.

4.17. Eight lift irrigation schemes to irrigate an extent of 4,290 acres in Coorg appear to have been carried out at Government cost and handed over to village co-operative societies for maintenance. Of the total extent, 750 acres are understood to be dry lands which become wet under the scheme. No betterment levy or water rate has been levied on the lands covered by these schemes. We suggest action being taken to levy betterment fee and a suitable water rate from the date irrigational facilities were provided.

4.18. We learnt incidentally that a sum of Rs. 9,044.32 from the year 1953-54 onwards is apportionable between the Mysore and the Andhra Pradesh Governments under royalty for utilisation of surplus waters in the Krishna Delta. Of this amount it is understood that only a sum of Rs. 43,000 has been adjusted. The balance of nearly 8½ lakhs has yet to be adjusted up to the end of 1958-59. The matter is being delayed too long and action is called for to have the amount due to Mysore allocated and paid without further delay. Annual adjustments under this item should be made without delay in future.

4.19. A scheme for Land Utilisation Survey of Government waste lands has been put up under the Third Plan at a cost of Rs. 2.66 lakhs, of which 50 per cent will be got as subsidy by the Central Government. Under the Second Plan, 98,000 acres of waste lands have been surveyed in the Belgaum Division. It is proposed to extend the survey to the rest of the State at the rate of 75,000 acres a year. Mysore State has a large extent of waste and eroded land which can be turned to use on the basis of a systematic survey. Government waste lands in each Division are proposed, under the scheme, to be inspected in detail and classified on the basis of depth of soil, angle of land slope, nature of existing vegetation and suitability of cultivation, into the following 4 categories:—

(1)	Class A ..	Lands suitable for immediate cultivation under field crops.
(2)	Class B ..	Lands suitable for cultivation under field crops after carrying out necessary improvements.
(3)	Class C ..	Lands suitable for afforetation only.
(4)	Class D ..	Lands suitable for grazing.

This is, from the point of view of land utilisation, development of agriculture and forestry and of prevention of soil erosion, an important scheme and we strongly recommend its early implementation and acceleration of the rate of progress, so as to cover the entire extent of barren lands in the State by the end of the Third Plan.

4.20. Among the principal causes of leakage of Land revenue are (1) encroachment on Government lands, and (2) unauthorised use of Government water, which have become all too common, particularly in the ayacuts of major irrigation projects in the State. The leakage of revenue may, on a conservative estimate, go up to a crore of rupees. We made a cross section study of the problem during our brief tour in the Mandya District. We came to know that large extents of Government waste lands have been encroached upon for a long time, and that while the unauthorised occupants used to pay a nominal fine or Takrar takhtas in the beginning, they have now ceased to pay any fine. It seems that at first these encroached lands were used for raising fodder crops and that of late they are being used for raising sugarcane. As an illustration, the case of Shivalli Tank bed in Dudda Hobli was brought to our notice where an extent of 300-400 acres had been parcelled out by unauthorised occupants among themselves on which sugarcane crop is being raised with loans and advances obtained from the Mysore Sugar Company on the security of these lands. We learn that the value of these lands ranges from Rs. 8,000 to Rs. 10,000 per acre. There are, we have no doubt, several other similar instances in the Visvesvaraya Canal area alone, not to speak of other parts of the State. The official version is that the extent encroached upon in Shivalli tank bed is only 80 acres out of the total extent of 110 acres and that action has been taken to evict the encroachers and that the tank is now free from encroachment. It is further stated that the amount of fines levied under Takrar takhta in Mandya taluk has increased from Rs. 25,000 in 1956-57 to cover a lakh of rupees. This itself gives some idea of the extent of increase in the unauthorised use of Government land. However it does not tell the whole story since fines are levied only when the village officer chooses to put up Takrar takhtas and such instances are usually a fraction of the cases of unauthorised occupation. There is a special revenue staff in the V.C. area consisting of two Assistant Commissioners, Special Revenue Inspectors and Sheristedars and also an audit party, and nevertheless even the fringe of the problem of encroachment of Government land and unauthorised use of Government water, does not appear to have been touched. We feel that the use of surplus lands in the V.C. area, as well as under other major irrigational projects in the State, raises a major question of policy on which a firm, consistent and rational decision has to be taken if things are not to go from bad to worse.

4.21. Amrai and hulbanni, as subsidiary sources of revenue, have been overlooked, though with proper attention paid to them by Revenue officers, a sizeable increase in revenue can be secured. A circular issued by the Government under the Dewanship of Sri A. R. Banerjee resulted in the receipts from these sources being doubled in a single year. The 'Gidapatrika' is now a much neglected form, a closer scrutiny of which is bound to open up an unsuspected source of additional revenue. The condition of Government trees in general, and that of avenue trees in particular, has deteriorated since the Second World War. On a rough estimate there are 3-4 crores of avenue trees along the State's highways, which constitute an important asset. Regular sale of 'dead' trees and of loppings is certain to bring in a considerable amount of revenue to Government annually. The fishery rights which were being regularly auctioned in the past, are not put up for sale and the revenue from this source is being lost by negligence of the Departments of Government concerned. Not even a proper survey of the fish resources in the State's rivers and tanks has been made. The Revenue Department should, in consultation with the Fisheries and Public Works Departments, take up the exploitation of the inland fish resources and make this a regular source of revenue to the State. In regard to minor tanks the fishing rights should vest in village panchayats when they are handed over to them for maintenance.

4.22. So far as the Malnad Ryots' Privileges Rules are concerned, it is understood that both the scope and extent of the concessions allowed thereunder are unduly liberal in the existing circumstances and that the total quantity of timber removed under these rules is much more than that removed through Government agency in Shimoga District alone. The privileges as they now stand permit timber being removed for the construction of houses not only in the respective villages but even in Taluk Headquarters and in places like Shimoga. The quantity of timber removed under these rules is definitely capable of being reduced just for meeting the *bona fide* needs of agriculturists. We are informed by the officers of the Forest Department that District Forests are in a neglected state and that they are heavily burdened with privileges. It is estimated that in a single District like Shimoga, Government is losing a revenue of Rs. 15 lakhs a year in respect of timber removed by the ryots. The timber potential of District Forests in Malnad Districts and in particular, Shimoga, Coorg and South Kanara Districts, are stated to be indeed very great and that the so-called 'control' of the Revenue Department has given scope for smuggling of timber on a large scale from District as well as from State Forests. It has been suggested, in the interests of proper conservation of the State's forest wealth and augmentation of revenue, that the State as well as District forests should be brought under the common control of the Forest Department and that the extent of privileges now attached to District forests be reduced and limited strictly to the *bona fide* needs of agriculturists. We discussed the question of transferring the District forest in the State to the control of the Forest Department at a series of meetings with the representatives of the two Departments. Opinion is unanimous about the need to upgrade the District forests, particularly in the dry regions of the State and to hand over these forests to the control of the Forest Department. The point for consideration was how the vesting of District forests in the Forest Department may be reconciled with the enjoyment of existing privileges of the ryots, such as free grazing. It is considered possible to transfer these forests without change in their character as District forests, and without interfering with the existing rights and privileges of ryots therein. It is understood that District forests in the South Kanara District have already been handed over to the Forest Department. We recommend, as a general pattern, that the District Forest in the other areas of the State also be transferred to the Forest Department according to a phased programme. This, in our opinion, is the most important and major step to be taken for bringing about a significant improvement in the forest resources of the State, since we are told that State Forests in many areas are already over-exploited, and that the District forests, which remain for the most part untouched, are among the State's most valuable assets, which require to be fostered and developed. We suggest further that with the establishment of autonomous Village Panchayats in the State, the development of village forests should also begin to figure largely in the plans of the Forest Department. The village 'gomals' afford, in our opinion, considerable scope for raising village forests as a source of supply of the agricultural requisites and of additional income to the Village Panchayats.

(3) COMMERCIAL TAXES

4.23. Sales-tax is the single largest item of State revenue now and has been the mainstay of State finances. It is at the same time the one State tax that affords the largest scope for evasion. Sales-tax has now touched the 9 crore mark. We are led to believe that by a proper and stricter administration of the Act, the revenue from the same may be stepped up to Rs. 12 crores a year. Kerala State with its population of 1.6 crores (1961 Census) has a sales-tax revenue of Rs. 9 crore. The existence of the Cochin Harbour is no doubt a factor accounting for the relatively high revenue from sales-tax in the State. But by and large the administration of the Sales-Tax Act has been tightened up in Kerala and it is estimated that the measures adopted recently to plug the loopholes in the administration of the Act have resulted in an increase of revenue to the extent of about a crore of rupees. We understand that there is a Deputy Commissioner of Intelligence in Kerala, that 17 check posts have been established along the State borders and that Departmental Officers have been invested with the power to stop moving vehicles for checking. Besides three Deputy Commissioners of Sales-tax under the Board Member, one for each Zone, there is one Inspecting Assistant Commissioner and one Appellate Assistant Commissioner for each District and six special Circles at Quilon and Ernakulam for the assessment of turnover of special commodities like timber, cashewnut and for the assessment of larger turnovers. A reorganisation of the Sales-Tax Department in Mysore somewhat on the lines of the administrative set up in Kerala seems necessary to prevent huge revenue loss which we estimate at about Rs. 3 crores a year. We had discussions regarding the means for plugging loopholes and stepping the leakages in sales-tax revenue with the Commissioner. He has recently put up proposals for setting up an Intelligence Section in the Department and for the establishment of check posts at the State borders. We have examined these proposals and have already furnished our recommendation for implementing them. We understand that Sales-tax evasion in the State has assumed large proportions. The contributory causes appear to be chiefly (1) legal evasion caused by lacuna in the wording of the Sales-tax Act and Rules and (2) suppression of true turnover by dishonest dealers. Among the methods commonly adopted by dealers to evade the tax are (1) maintenance of double sets of accounts, (2) exhibiting sales as brokerages or commission agency transactions, (3) suppression and non-accountal of cash sales in the right books of accounts, (4) trading under different names or in the names of relatives, (5) using license numbers of other dealers and quoting fictitious numbers in the declarations and (6) showing bogus despatches and heavy sales against a single marking receipt, and (7) misuse of licences and issue of bogus 'K' forms and (8) use of fictitious and bogus purchase vouchers in support of wrongful claims for refund. The following are some of the ways in which evasion has been made possible and our suggestions for preventing the same :

(1). Dealers avoid issuing cash memos and bills in the course of business and are thereby suppressing the turnover of such sales. The Department proposes to try the method of test purchases for booking dishonest dealers and taking penal action against them under Section 29 of the Act. Not only should this be done in all cases of suspected suppression of turnovers, but the full measure of penalty prescribed should be imposed without fear or favour.

(2) About 206 Cattle Fairs are held annually in the State at which it is estimated that 15 lakhs of heads of cattle are brought for sale. Though there is a brisk sale of cattle on a large scale at these fairs and sale lists are drawn up, the amount of consideration for the sale is in a majority of cases not noted in them. There is thus a great scope for evasion of payment of sales-tax on these transactions which requires to be prevented by posting special staff at cattle fairs to scrutinise the transactions carefully and recovering the tax due.

(3) One way of ensuring prompt payment of taxes is to prescribe and insist upon the production of Clearance

certificates, as already suggested by us. Directions may be issued forthwith to all Departments of Government concerned with the grant of permits, say, for iron and foodgrains or issue of licences such as hotel licences, etc., to insist upon the production of clearance certificate issued by the Commercial Tax Department along with applications for permits, licences, etc.

(4) We recommend that, as in Kerala and Andhra Pradesh, all assessing and inspecting officers of the Commercial Taxes Department, be empowered to stop moving vehicles for inspection and checking. If this requires legislation, the same may be undertaken without delay, since, according to our information, clandestine transport of goods through lorries and trucks, particularly during night time, is resorted to on a large scale to avoid disclosure of true extent of business and turnover by dealers. Incidentally, it seems that octroi staffs of Municipalities are not recording the names of consigners and consignees in octroi receipts and are not also attaching copies of invoices to the receipts issued by them. This is facilitating the successful escapement of turnovers covered by these transactions. We suggest that the Municipal Councils and Committees in the State be requested to co-operate with the Department by insisting upon the Octroi staffs making a correct and complete record in every case dealt with by them and to see also that no collusion takes place.

(5) It has been pointed out to us that the development of import trade by the State Government is an effective way of raising additional revenue and that in the absence of a good harbour in the State, import business is diverted and concentrated at places like Bombay and Madras. The suggestion made to us is that if the State Government could contrive to get companies doing business in the State to have their Head Offices within the State, instead of at Bombay and Madras, their turnover could be taxed in Mysore and sales-tax revenue would register a substantial increase.

4.24. We suggest the immediate establishment of the border check posts proposed by the Department. It would appear that 38 check posts are needed. But to start with 12 may be set up on the trunk roads, and the required staff, which has to work round the clock, sanctioned without delay. Incidentally, check posts may be so located as to prevent the smuggling of timber and particularly sandalwood, outside the State. The Department has suggested the posting of 76 checking units at all important ookads and octroi-nakas, each unit to consist of 1 inspector, 3 lower division clerks and 3 peons, to check the internal movement of goods in the State. We support the proposal with a reduction in the number of units from 76 as proposed, to 50, to start with. The immediate establishment of the Intelligence Section in the Commissioner's Office, under the Headquarters Deputy Commissioner of Commercial Taxes, is recommended with the observation that the selection of the staff to man the Section should be made with the utmost case to keep out undesirable elements and persons of doubtful integrity.

4.25. In order to tighten up the assessment work by the Commercial Tax Officers and Assistant Commercial Tax Officers which may often be not up to mark, it would be necessary to arrange for continuous supervision of the work by competent and experienced senior officers of the Department. The pattern in the Income Tax Department is the separation of the supervisory from the appellate work at the level of the Assistant Commissioner, the Inspecting Assistant Commissioner being made the conscience-keeper of the Department with full and continuous control over the work of assessing officers with an eye to maintaining a high standard of efficiency and integrity. We suggest the adoption of the same pattern in the State Sales Tax Department and the replacement of the existing Deputy Commissioners of Commercial Tax by an Appellate and an Inspecting Deputy Commissioner for each Division. As a safeguard against under-assessment by Commercial Tax Officers and Assistant Commercial Tax Officers, targets of assessments and collection for each area may be fixed and the work of officers judged with reference to these targets, as in the Indian Income Tax Department. The targets should however be revised every year. Normal annual increase of revenue under Sales Tax adopted is assumed to be 6 per cent. Considering the rapid expansion of business and turn overs, a 12½ or 15 per cent increase each year seems to be not unreasonable should, we feel, be adopted by the Department.

4.26. Our impression regarding the administrative working of the Commercial Tax Department is that there is far too much staff at the level of the Assistant Commercial Tax Officer because of the limit of taxable turnover being low. The representatives of a Trade Association in Belgaum Division pointed out to us that much loss of revenue is taking place because of time spent on low turnover assessments by a number of assessing officers, instead of which if the exemption limit were raised sufficiently high and the taxing officers concentrated on the assessment of high turnover, there would be a substantial increase of revenue and avoidance of harassment of petty dealers. On the other hand the recommendation of the Taxation Enquiry Commission is to reduce the low limit of taxable turnover to Rs. 5,000. While the low limit of taxation in Maharashtra is Rs. 30,000, their scheme of taxation at double point is basically different from the system of taxation in Mysore. However, we feel that there is some force in the suggestion to concentrate more on the scrutiny and assessment of larger turnovers. At present turnovers below Rs. 40,000 are assessable by Assistant Commercial Tax Officers. The largest number of dealers come within this category and the work involved in the examination of accounts, assessment and recovery at this level is, considering the revenue realised, disproportionately heavy. The workload of 500 cases for ACTOs is also capable of increase, provided a simpler and effective method of assessment is adopted. It has to be noted that 75 per cent of the sales tax revenue is derived from companies whose accounts are kept on commercial principles and are subject to audit by Chartered Accountants. Only 25 per cent of the revenue is from individuals and firms and a third of this percentage only constitute the cases to be handled by the ACTOs, though in relation to this small proportion of revenue, the number of cases to be handled is large. In our opinion, detailed checking of accounts in the case of low turnovers, excepting marginal cases, may not be quite necessary and that the purpose would be served by the ACTOs making only a test check of turnovers where business conditions continue to be steady, and take up detailed checking of accounts once in five years in all cases and only in a percentage of cases selected at random every year. In suggesting this we have in mind the pattern of assessment of income tax cases below Rs. 7,500 limit, recommend by the Thyagi Committee. It is mainly at the Commercial Tax Officers' level that greater vigilance and care in examination of accounts and assessment is called for. Even here certificates of reputed Chartered Accountants may be accepted normally unless there is any specific reason within the knowledge of the assessing officer to justify a detailed examination of accounts. In Maharashtra the emphasis is upon quarterly return and payment of tax with the return is obligatory. In Mysore quarterly returns are made optional under rule 21 of the rules under the Mysore Sales Tax Act. We suggest that the submission of quarterly returns, along with the amount actually collected by way of tax during the quarter, should be made obligatory in the case of all dealers having an annual turn over of Rs. 40,000 and above.

4.27. The administration of Sales Tax Act was a perennial topic which came up in our interviews with the representatives of trade and commerce in the several areas of the State visited by us. The trading community has on the whole been critical of the way that the Act is being worked and made quite a number of suggestions for the simplification of the Act and rationalisation of procedure. We extract below some of the characteristic criticisms and observations made in this behalf:—

"Public are inconvenienced, and trade is adversely affected, by frequent and needless changes in sales tax law. To avoid leakage of revenue and secure uniformity in sales tax administration, it is better to introduce a single point levy at a high rate to be administered by the Central Excise Department as in the case of tobacco, textile and sugar and this will result in economy in administrative cost".

"If the assessees are cœrced, they will resist the administration. But if they are persuaded they will co-operate with the administration".

"The taxable limit of turnover should be raised to Rs. 30,000 as in Bombay. This would result in reduction of much unnecessary work and expedition in the Sales Tax Department".

"Sales Tax Act being badly administered. The procedure for assessment and collection is unnecessarily complicated and troublesome. There is need for simplification".

"The working of Sales Tax Act should be improved. It should be simplified and the rates brought into parity with those in the neighbouring States".

"Suppression of turnovers by assessees is the result of oppressive methods followed by this Department".

There has been a fairly strong public opinion about the need for simplification of Sales Tax Act and procedure. Sales Tax being the one really flexible and growing source of State revenue, it is necessary, in our opinion, to improve the working of the Sales Tax Act, so as on the one hand to remove possible causes of hardship and annoyance to the assessees and on the other, to plug the loopholes and leakages in tax collection. The Maharashtra Government had set up an Expert Committee for examining the working of the Sales Tax administration with a view to simplification of the Sales Tax Law and procedure in the interests of revenue and of public convenience. Recently the Kerala Government has set up a high level Committee to examine the working of the Sales Tax Law and to propose simplification of procedure and ways of augmenting revenue. Incidentally it would be necessary to review the financial effect on the State revenue of surrender of taxation of tobacco, textiles and sugar to the Central Government by the levy of additional excise duty in lieu of sales tax. It is in any event important to secure the co-operation and goodwill of the trading community in the State in the better administration of the Sales Tax Act, since it seems to be true that the relationship between the department and trade in the State is at present none too cordial or happy. In spite of several modifications of the Sales Tax Act, the law and the administration of the same remain still unsettled and not entirely acceptable to the merchant class in the State. There is the feeling that the differentials in rates and procedures under the Sales Tax Acts of Southern State are adversely affecting trade and blocking normal rade channels. There has been a broad suggestion that the Southern States should come together and evolve a uniform and common Sales Tax Law and procedure in the interests of development of trade and commerce. All these aspects have to be carefully examined and a simpler scheme of taxation, advantageous from the point of view of State revenue and acceptable to the trading community, has to be worked out by removing the scope for evasion and escapement of tax and the harsher features of the present working of the Act. It seems to us that the best way of achieving the above objects is to appoint a mixed committee of officials and representatives of trade and commerce in the State, with one or two experts in Sales Tax law. This Committee may study the sales tax systems and practices in the neighbouring States and put up a simple flexible and equitable scheme of taxation which will harmonise and balance the interests of revenue and of trade and commerce in the State and bring about better understanding between the taxing authority and tax-payer.

(4) MOTOR VEHICLES TAXATION

4.28. We understand that the work of the Department is greatly handicapped for want of proper accommodation for the Central Office at Bangalore. We were told that the staff in the Department is also inadequate for the effective enforcement of the Motor Vehicles Act. It would appear that executive staff at the rate of one Inspector for 500 vehicles at least as in Bombay is necessary to ensure effective recovery of tax, this being the scale of staff recommended by the Masani Committee. The Department is, after Sales Tax and Land Revenue, the biggest revenue-earning department. With the passing of the on Passengers and Goods Act the work and responsibility of the Department will further increase and the revenue is also expected to be stepped up to Rs. 5 crores a year. But the general impression is that there is considerable leakage of revenue in this Department. The Commissioner, with whom we discussed the matter, stressed the need for raising the morale of the Department and improving the calibre of officers posted as Regional Transport Officers by filling up these posts from among officers in the grade of Assistant Commissioners instead of by direct recruitment. It seems desirable to replace the officers posted as RTOs periodically so that no officer is allowed to work as such for more than three years.

4.29. We were astonished to learn that the Demand, Collection and Balance registers are not posted up-to-date in the Department. Registering authority is required to open a DCB register for each vehicle registered and he has to check these registers at the end of each month to verify if the tax due has been paid. This being the basic record with reference to which alone the Department can spot out, and take action against defaulters, the non-maintenance of the registers up-to-date is a serious defect which has to be set right and not allowed to recur. The Department does not seem to have realised the serious import of not posting up the DCB registers and tried to explain it away by saying that as every Treasury Officer in the State and the 19 RTOs are Licensing Officers, it has been found difficult in practice to get the necessary declaration forms from all of them for keeping the DCB registers up-to-date. Since the demand for each quarter must be established in the office of each RTO before necessary demand notices can be sent out to defaulters, the Department, we feel, has failed in its fundamental duty. We are stressing this point in view of the vast scope for evasion of tax rendered possible in the absence of proper record of tax due in respect of each vehicle registered in the State. The Department has, in the circumstances, been unable to estimate the loss of revenue. Apart from the vehicles running on the roads without payment of tax, which are expected to be detected in the course of quarterly surprise check carried out throughout the State, the Department has no means of finding out the number of the vehicles registered in the State in respect of which the tax has not been paid. We are not also sure if the surprise check of motor vehicles is really so effective as to bring to light all or even a majority of cases of non-payment of tax, since a large number of trucks and lorries run by night but the check is carried out by day. It is in respect of trucks and lorries perhaps that the largest percentage of default is occurring. We understand further that only about two per cent of the vehicles checked by the Police are booked for non-payment of tax. The Department has to depend on the Police for the checking of vehicles in the absence of its own enforcement staff. We, however, learn that the Department has recently proposed to appoint an enforcement staff and to have Ledger Section in the Central Office to handle the DCB statements relating to all the 19 RTOs in the State so that there is no escapement of tax in respect of any vehicle for more than a quarter. We are, however, anxious not only that default in the payment of vehicle tax should be promptly detected but that the penalties for evasion of tax should be sufficiently heavy to have a deterrent effect. It would appear that under Rule 29 the offence of tax evasion is compoundable by payment of one-eighth and one-sixteenth of the annual rates of tax. The penalty is not only not deterrent, but may actually operate as an incentive for evasion. It has been brought to our notice that under Section 12 of the Act, courts are empowered to levy a fine equal to the sum of the quarterly tax which may extend up to the amount of annual tax payable and which is doubled in cases where previous conviction is proved. We are not sure if even these fines, heavy as they may appear, can be considered to be deterrent, since fines are paid only when evasion is detected and a tax dodger is clever enough not to be caught except when occasionally he becomes a little careless and gets into the bad books of the authorities. Even if a defaulter is caught, he can pay the compounding fee and get off. In our opinion, a fine, however heavy, is no adequate penalty for deliberate evasion of tax or late payment of it. A person who owns a motor vehicle cannot be said to be not in a position to pay the vehicles tax regularly. He cannot also plead want of time, as he is allowed a reasonable margin of time in which to pay the tax. We feel that the system of compounding the offence should be replaced by prosecution as in Madras. If compounding is also to be retained, the fine should be so heavy, say four times the tax due, so that any temptation to evade the tax would be taken away. We suggest that prosecution be made the normal rule but that when extenuating circumstances exist, compounding may be resorted to but on payment of four times the amount of tax defaulted. There are a large number of cases of private cars been used as taxis which are not detected and this is resulting in loss of revenue. The Department should pay better attention to this matter.

4.30. Whenever big jatras, melas or conferences are held, it is noticed that buses which are permitted to run special trips are usually over-crowded. If instead of giving permits to only a few buses and stage carriages, more buses were to be permitted to be run on such occasions, there would be more revenue to Government and overcrowding in buses avoided. We understand that there is no difficulty about the issue of temporary permits to any number of vehicles if application is made to the RTOs concerned. But the real point is not that temporary permits will not be granted but that vested interests manage to see that others are not allowed to obtain temporary permits. It seems to us further that the penalty for overloading buses is not either sufficiently heavy or deterrent. The RTO himself being the authority to issue temporary permits, he should not have the power to punish the permit holder for overloading or to compound the offence under Section 60(3). An offence like overloading should also be not compoundable in our opinion. We consider that all cases of violation of conditions of permits, including overloading, should be tried by courts and the penalties should be made deterrent. Besides, it should be a general rule that any case of overloading detected should automatically mean suspension of driver and conductor licences for not less than a month and cancellation of the permit upon a repetition of the offence. Unless drastic action is taken as proposed, we feel that the evils of overloading and other unlawful acts on the part of vehicle owners cannot be put down effectively.

4.31. While the position in regard to control over vehicles registered in the State is far satisfactory, it is worse in respect of vehicles, particularly lorries and trucks, registered in other States which run within the State clandestinely without the necessary permit from the State Transport Authority. We understand that there is practically no check over the movements of outside vehicles except the general surprise check which cannot be regarded as effective. It would appear that Check Gates have been established at the frontiers in Madras State and the entry of vehicles without permits into the State is stopped effectively. The Sales Tax Department has proposed to establish Check Gates on all important roads at the borders of the State. These Check Gates may, in our opinion, be used by the Transport Department also for preventing the entry of outside vehicles without permit into the State, without any additional expenditure.

4.32. We learn that under Section 4, the Motor Vehicles Taxation Act, read with Rule 11, an operator can pay the vehicle tax to any licensing officer in the State, including the treasuries and obtain tax licence from any Licensing Officer or any Treasury on production of the paid challan. This procedure gives ample scope for bogus challans being produced to obtain the tax licence in the absence of verification of the genuineness of the challans. It is understood that in Bangalore alone, where about 15,000 vehicles run, there is no verification of the treasury credits and that as a consequence, spurious challans are stated to have been in use from 1955, some of which were traced in the course of special audit. Although orders of Government are stated to have been issued that the Treasury Challans should not be honoured without verification of credit, we do not know how far the instructions are being carried out in practice, and frauds prevented. The root cause of the trouble is the choice given under the law to the operator to pay the tax to any treasury or licensing authority and obtain the licence. Since verification of treasury credit takes considerable time, either the fraud is not prevented or the issue of tax permits is unconscienably delayed. The Department does not seem to be alive to the grave danger of allowing the present laxity to continue under the excuse that it is permitted by law. In the City of Madras, the Commissioner of Police is understood to be the Registering, Licensing and Taxation Authority, all is one. This arrangement is quite effective in preventing fraudulent practices on the part of operator while avoiding the delay in the issue of tax licences. But if this system is to be adopted, extra staff and additional accommodation would be needed. We have no idea of the loss of revenue involved under the existing procedure or the lack of it. But since open frauds against the Government should not be tolerated and allowed to go on, we recommend the adoption of the Madras City pattern at Bangalore. We should also suggest the amendment of the Motor Vehicles Taxation Act, to introduce the system of payment of taxes at the place of registration, instead of allowing unrestricted freedom to operators and then trying to check the malpractices arising from it. From the latest communication received from the Commissioner of Transport, we see that by an amendment of Section 11 of the Act, all payments of tax in Bangalore City is to be made only to the RTO in cash or by cheque. Further amendment of Sections 3, 9, 11, 12, 13 and 17 have been proposed for assigning each vehicle to only one Licensing Officer in the District of registration to be chosen by the operator. We suggest that the Madras system be adopted in Bangalore City and the Deputy Inspector-General of Police, Bangalore City made the Licensing Authority. In other places RTOs may be empowered to receive the tax and issue the licence. RTO should be made personally responsible for maintainance of DCB and liable for loss to the Government for want of accounts. When any operator or owner of vehicles changes residence or place of business, he should apply to the Commissioner to alter the place of payment of vehicles tax. The change in place of payment of tax at the new place of residence or business should be permitted under intimation to the authority where the vehicle is registered and to the authority in whose jurisdiction tax was being paid.

(5) AGRICULTURAL INCOME TAX

4.33. The revenue from this source is showing a downward trend from Rs. 102.94 lakhs in 1958-59 to Rs. 81 lakhs in 1961-62. The decline is stated to be due mainly to fall in the price of coffee seeds. The Department's view is that, the working of the Act is presenting many difficulties on account of the extent-limits prescribed and the composition scheme provided, under the Act. The scrapping of both is expected to tighten up the administration of the Act and the yield a substantial increase in revenue which is now being lost. We understand further that there is legal evasion by the individual assessees claiming the benefit of the higher exemption limit granted to Hindu undivided families under the Act. The loophole in law seems to be that under the provisions of the Agricultural Income-Tax Act, any five persons can form a Joint Hindu Family without specifying who such persons are. If this is true, the lacuna has to be made up by suitable amendment of the Act. In Coorg it would appear that fragmentation of plantations is going on with a view to avoid liability to Agricultural Income-Tax. We were also told that the assessment extent of coffee plantations in Coorg has declined from 2 lakhs of acres to about 68,000 acres at present, as a result of levy of Agricultural Income-Tax. We are not prepared, without proper statistical confirmation, to accept this statement. But verification is called for if the reduction is not purely fictitious so as to escape the income-tax liability. Further there is a general feeling that with the introduction of land reforms with ceiling limits for holdings, there is likely to be a considerable fall in revenue from Agricultural Income-Tax. One suggestion is that the Act itself may be scrapped and in its place a special surcharge on commercial crops may be imposed. A similar levy is also understood to be under contemplation by the Maharashtra Government. Agricultural Income-Tax is the counterpart of the taxation of non-agricultural income. This tax is least open to the objections that (1) it is regressive in character and (2) it is based on the principle not of ability but of disability. We have, in our mind, the broad recommendation of the Indian Taxation Enquiry

Commission eventually to bring the agricultural and non-agricultural income together for taxation under a common scheme. This must, we feel, be kept in view and the scheme of Agricultural Income-Tax be so worked as to facilitate its integration with the scheme of taxation of non-agricultural income. Meanwhile it is necessary to tighten up the working of the existing Act firstly with a view to check the observed declining trend in revenue realised since 1958-59 and secondly to plug the loopholes in the law and administration of the Act. The first thing to be done is to scrap the extent limits and composition scheme under the existing Act. These provisions do not exist in any of the Agricultural Income Tax Acts of other States. Their inclusion in the State Act passed in 1954 was intended as a temporary expedient to avoid possible harrassment of assessees, who being agriculturists, could not be expected to maintain regular accounts. Now that the Act has been in force for nearly 7 years, the assessees should be expected to have become familiar with the requirements of law and be in a position to maintain and render the accounts in a simple form. The extent-limits prescribed in the Act no longer bear any relation to equivalent income in cash, in view of steep rise in the prices of agricultural commodities since the Act was passed. The exemption limit in cash under the Act itself is sufficiently high and there can be no justification to allow the assessees to have the benefit of a still higher limit of exemption indirectly under the unduly generous acreage limits fixed in the Act. The classification of lands in the schedule is also unrealistic since even a few acres of land cultivated intensively may, in the present circumstances, yield a taxable income, whereas the exemption given in terms of VIII class land is for almost all categories so high that the Act appears to exempt more than it taxes. Since after all the intention is to exempt only income upto a certain definite limit in cash, the extent-limit defeats the very object of the scheme of taxation, as it works out in practice to be far in excess of the equivalent income in cash. The exemption in cash itself being liberal and high, there is no object in giving the assessee a double advantage, of not having to maintain accounts and of making this concession itself the means of getting a relief not due to him. The Act, with its wide exemption of food crops, and high exemption limits, is fiscally inadequate as a measure of taxation, and to allow in addition a further exemption in the form of extent-limit, would be to reduce taxation to a mere formality.

4.34. The tax can be made to yield a substantial revenue to Government by amending the Act and tightening up its working. We recommend the following measures being adopted for the better administration of the Act :—

(1) The proviso in Part I of the Schedule fixing the lower limit of 50 acres of VIII Class of land or extent equivalent to any one of the classes of land, be deleted with consequential omission of provisio to Part V of the Schedule as well as Sections 66 and 67 of the Act.

(2) Section 2 (e) may be amended to widen the definition of 'oil seeds' to include not only groundnut but other oil seeds such as mustard, karad, nigar, caster, etc.

(3) Section 2 (q) be amended by omitting the explanation thereunder, which excludes cardamom or pepper when grown on lands on which arecanut is grown as a main crop. The explanation is taken advantage of by a large number of cardamom and pepper growers to escape taxation. In fact cardamom and pepper are raised only in arecanut gardens in many areas, *viz.*, North Kanara and Shimoga Districts. There is also no need to make a distinction from the point of view of taxation between the cardamom and pepper grown independently or in arecanut gardens. It is an artificial distinction, and being discriminatory, should be removed.

(4) Much confusion is now caused in determining which particular set of 'Association of persons' should be treated as 'Tenants-in-Common'. The latter terminology does not appear to have been properly defined in any of the Acts in which reference is made to it. Of late, it would appear that there has been a tendency for the partition of properties of Hindu Undivided families into specific shares with a view to establishing a severance in status and claiming that the divided members are working as 'tenants-in-common'. This device not only results in reducing the incidence of tax but often in the escapement of tax liability. The concept of 'tenants-in-common' is a special provision taken over from the Old Mysore Agricultural Income Tax Act, 1955, and is not found in similar Acts of any other State except Madras. There is, we feel, no need for the special provision. In fact in the charging Section 3 (1), the liability to pay the tax is on 'every person', the term 'person' including an individual or association of individuals. Incorporated 'Association of person' is defined in the Act to include a Company, Firm, or Hindu Undivided family. An 'Association of person', whether incorporated or not, is also a distinct 'person' to be assessed as such. 'Tenants-in-common' being really an 'Association of persons', has no place in the definition clause and need not be retained in the charging section. The sub-section in question may therefore be deleted.

(5) In the Mysore Agricultural Income Tax Act, 1955, income of companies is chargeable at the maximum rate of 40 nP. in the rupee on the whole of their total income. This provision is not found in the 1957 Act, though income of companies above Rs. 2,50,000 is taxable at a higher rate. Reintroducing the provision under the 1955 Act is expected to bring in additional revenue of Rs. 8 lakhs per annum. We suggest the amendment of Part I of the Schedule to the existing Act on the above lines.

4.35. We are not quite satisfied about the administrative set up for the working of the Act. There are only 6 whole-time Agricultural Income Tax Officers in the State. But Revenue Sub-Division Officers are working as *ex-officio* Agricultural Income Tax Officers in most of the places. We were informed at Raichur and at Bellary that substantial revenue from the Agricultural Income Tax would secure with the starting of more Sugar Companies and the development of irrigation under T. B. Project and that whole-time Agricultural Income Tax Officers for these Districts were necessary to ensure proper assessment and realisation of revenue. We are of the view that with the impetus given for the cultivation of commercial crops in South Kanara, Shimoga and Malnad parts of the State and with the adoption of the amendments we have proposed for the better working of the Act, a more satisfactory set up for the administration of the Agricultural Income Tax Act in the State is called for. We recommend that there be whole-time Agricultural Income Tax Officers for each District where the anticipated revenue is above Rs. 2 lakhs or more. Where the revenue is less than this and the number of cases is not large, one officer for two contiguous Districts may be appointed. In a District like Coorg and other plantation areas, Assistant Agricultural Income Tax Officers are also requested to dispose of cases of low-income groups. A Deputy Commissioner, under the Commissioner, to supervise the work of Agricultural Income Tax Officers and to scrutinise the assessments made by the latter, may be appointed. As in the case of Sales-tax, targets of assessment and collection for each area should be fixed against which the actual performance may be judged as a safeguard against slackness and possible under-assessment.

4.36. *Stamp Duties.*—The Stamp Act, 1957 and the Court Fees and Suits Valuation Act, 1958 came into force in the State with effect from 1st June 1958 and 15th August 1960 respectively. The revenue from these Acts shows an upward trend and the departmental view is that the existing stamp duty rates are almost on the level of those obtaining in the neighbouring States of Madras, Andhra Pradesh and Maharashtra, and that there is no scope for enhancement of the same. We have in the previous chapter referred to the loss of stamp and registration revenue of Rs. 40 lakhs per annum under the several exemptions and abatements granted. The exemptions should be reviewed and either withdrawn or reduced gradually, except where any exemption is mandatory or its continuance is necessary under a declared public policy.

4.37. We discussed the existing scale of court fees with the Registrar of the High Court and were given to understand that (1) the revised *ad valorem* fees are much higher in respect of valuations of Rs. 5,000 and more than under the old Act, and are higher also than those levied in other States except Madras, (2) the fees covered by Schedule II have been enhanced and (3) the fee levied in respect of processes issued by the civil and criminal courts in the State have also been raised under the rules framed by the High Court. The opinion of the High Court is that no further enhancement of court fees is either called for or possible. We refer in this connection to the observation by the Taxation Enquiry Commission that the system of valuation of plaints and cases under the Court Fee Acts of States was defective and required to be revised to suit changed conditions. We understand that in some States, as for example Madras, the method of valuation of land and pre-exemption suits have been revised, while partition suits have been made to pay *ad valorem* fees instead of fixed institution fees. We commend this for consideration, if action has not already been taken to amend the Act in this behalf. We feel further that the presiding officers of courts should also scrutinise the valuations made in plaints to ensure that the proper fee is paid. Further, the possibility of leakage of court fee revenue through negligence on the part of the staff has to be guarded against. We were informed by the Registrar of the High Court that examiners of stamps have been appointed to inspect the court records and find out irregularities or difficiencies, if any.

REGISTRATION.

4.38. We understand that the rules and table of fees under the Indian Registration Act in force are not uniform in the different integrated areas of the State and the uniform rates of fees and rules have since been evolved and put up to the Government for sanction. Since the uniform rates of fees are expected to bring in additional revenue, we suggest immediate action being taken to approve of them and to bring the revised rates into force.

4.39. There is a general feeling that the full revenue due to Government under the Registration Act is not being realised due to collusive transactions and under-valuation of subject matters of documents presented for registration. The increase in the income from registration fee does not seem to be proportionate to the steep rise in land and property values, particularly of urban properties. Under-valuations of properties with a view to avoid payment of stamp duty and registration fees should be guarded against and measures devised to detect and bring to book such cases.

4.40. While Governmental expenditure has always been subjected to detailed and regular audit, there is no system of revenue audit in the States. The magnitudes of present State revenue and of prospective additional revenue from new taxes makes it absolutely necessary that there should be an effective and independent check over the correctness of assessments made, and demands booked, in the revenue-earning Departments, to ensure the proper administration and prompt collection of State taxes. It is understood that loss of Union Income-tax revenue of the order of lakhs of rupees due to arithmetical errors alone in making up the demand, was detected and brought to light recently as a result of audit of receipts in a particular income tax area. The possibility of similar leakages of State revenue in the major departments of Government cannot be ruled out. In the circumstances the Auditor General's offer to take up the audit of State revenues, starting with Sales Tax, is very timely and welcome. We urge, in this connection, that the audit of receipts in the Motor Vehicles Department, and under contribution and water rate in the V. C. Area, be taken up also, in view of evasion of tax and leakage of revenue going on in respect of these items of revenue.

CHAPTER V—RESOURCES

I. GENERAL OBSERVATIONS

5.1. There is, as already stated, a commitment on the part of the State Government to raise a sum of Rs. 43 crores for the Third Plan by additional taxation. We have been asked to suggest the new sources of revenue which can be tapped.

5.2. The target of additional taxation in the Second Plan was Rs. 9 crores, and the actual amount raised was Rs. 15 crores. The tax effort in the Third Plan is thus five times the target fixed, and three times the tax effort made, under the Second Plan. We see that the *per capita* State taxation at the end of the Second Plan stood at Rs. 14.26. The question for consideration is, therefore, to what extent the people in the State are capable of bearing the burden of additional taxation, taking into account the cumulative burden of Central, State and Local taxation, which works out to about Rs. 22 per head. It has to be borne in mind that a large section of the people do not come within the taxable limit under direct taxation, and that the tax burden is therefore many times heavier on those who are liable to pay taxes than is indicated by the *per capita* figures.

5.3. As pointed out earlier, the State Government has already made a part of the promised tax effort in the first year of the Third Plan by (1) imposing a surcharge on Land Revenue and tax on passengers and goods carried by road and (2) enhancing the rate of Electricity duty on certain classes of consumption. By these measures additional revenue amounting to Rs. 2 crores has already been raised during the current year, and a further sum of Rs. 8 crores would accrue during the remaining four years of the Plan. Thus a sum of Rs. 10 crores has already been assured, leaving a balance of Rs. 33 crores to be raised in the next four years. We are indicating the phasing of the tax effort over the plan period, showing the amount of fresh tax to be raised in each of the succeeding 4 years to make up the targetted sum of Rs. 43 crores. Unless the phasing to be suggested by us is adhered to, and tax effort is made accordingly from year to year, the State might find it extremely difficult, as time goes on, to fulfil its commitment. There are severe limits to the additional taxes that the State Government can impose and collect, and to the capacity of the people in the State to bear fresh tax burdens, in a year. Since the levy of new taxes, or even stepping up rates of existing taxes, involves legislation, some time must elapse before a taxation measure is proposed and is accepted by the State Legislature and passed into law. Even after this, there will be a time lag between framing the rules, without which the Act cannot be brought into effect, and setting the administrative machinery into motion to enforce the fiscal measure. Unless therefore the taxation effort is planned out in advance and implemented expeditiously, a whole season may pass and a year's revenue in each fiscal year lost, which cannot be made up afterwards. A special Section in the Finance Department should be set up for working out taxation proposals the principle of which is accepted by Government, and the bills may be drafted by a Special section of the Law Department for being brought up before the legislature in accordance with a pre-arranged programme. Simultaneously the Departments of Government concerned should get ready with the necessary draft rules and have them scrutinised by the Law Department in advance to be issued within as short a time as possible after the substantive Acts are passed by the Legislaure. The volume of legislative work involved in getting a number of taxation bills through will indeed be enormous and delays are bound to occur and progress is likely to be halted unless there is a clear-cut programme and there is good-will and co-operation by all parties in carrying it out.

5.4. There is bound to be public criticism and opposition to taxation. The very idea of raising additional revenue may be objected to on the plea that the Government has already ample resources at its disposal and can count on Central assistance also for implementing the Plan. The Government may also be put on its defence, in the face of the public feeling that there is much avoidable administrative and non-development expenditure and told that if expenditure of this kind were to be reduced, sufficient resources would be released and become available for the Plan without the need to burden the people with mere taxes. A pertinent point that may be raised will be whether there is any scope at all for the State Government to levy new taxes, since the sources of taxation open to it under the State list have already been availed of and exhausted. Lastly it is certain that any taxation measure to be introduced will be opposed on the ground that the people in the State are already over-burdened and are just not able to bear any further imposts. We shall deal with each of these points one by one.

5.5. The need for additional resources arises because of the adoption by the State of a 250 crore Plan. A sum of Rs. 43 crores has to be raised by additional taxation, as there is no other way of making up the State's share of plan outlay to supplement the resources in sight. In fact it is only by the State Government giving an undertaking to raise this much of resource by additional taxation that the Planning Commission accepted the State Plan. Any shortfall in the assumed resources for the Plan will, therefore, necessitate a reduction in the size of the Plan. Central assistance of Rs. 140 crores for a Rs. 250 crores Plan cannot be regarded as meagre. The State Government has also clearly told that there is no likelihood, under any circumstances, of the size of Central assistance being enhanced further. The State has therefore, necessarily to take steps to find the balance of Rs. 110 crores out of its internal resources. As the resources in sight add up together to Rs. 67 crores only, a fresh tax effort of the order of Rs. 43 crores become inevitable. Moreover, a high level of taxation is necessary in a Welfare State to fulfill its obligations, and to plan for an expanding public sector also. Taxation in a modern Government is needed not merely to raise the revenues required to meet its ever-growing expenditure on administration and social services, but also to reduce the inequalities of wealth and incomes and for checking the rise of inflationery pressures within the economy. The process of development itself gives rise to income-disparities, and taxation of surplus earnings in higher income brackets is the accepted method of bringing about a more even distribution of wealth and economic power. At the same time taxation is used to draw away money that would otherwise go into consumption and cause a spiralling inflation to arise. Thus the State Government, by raising additional taxation would be achieving a number of necessary and socially desirable objectives, in addition to mobilising the much-needed resources for the Plan.

5.6. The view is widespread that there is much wasteful expenditure and expenditure on non-essential items and activities in Government. This view is not without some basis, as we have already seen. Facts and figures have been put forth to show that administrative, non-development and non-plan expenditures of State Government have mounted up at the cost of development, and that a good part of the additional revenues raised in the Second Plan was absorbed by non-development expenditure. There is an admission by the Planning Commission, in its " Reappraisal and Prospects of the Second Plan ", that dispite new tax measures the tax effort had not provided enough resource for the Plan, as a large part of it had been absorbed by other demands. We have referred to the 92nd Report of the Estimate Committee of the Loka Sabha regarding the growth of the Central Government's non-plan expenditures. By an analysis of the Central Government expenditure the Committee noted that there had been a rise of 50 per cent in the strength of the administrative and executive staff since 1951, and that the increase in clerical strength in the same period was as much as 78 per cent. The Committee opined that the increase in the number of Joint Secretaries, Deputy Secretaries, and Under Secretaries, was excessive, and that overstaffing in Government Offices had arisen because staff requirements were often estimated and sanctioned on the basis of conjecture in the absence of analysis of the methods and volume of work. It is seen from a statement by the Union Minister for Revenue that the expenditure on staff at the Centre is 20 per cent of the total Union expenditure on revenue account. In spite however of the Planning Commission having set up 27 Panels for a detailed scrutiny of estimates, and two panels for the study of work loads in Government offices, the public feeling voiced in the Loka Sabha is that there is little evidence so far of the practice of economy and austerity which the Government has been so ready to preach to the people. We have instanced the commitments outside the plan taken up by the State Government in recent months, and remarked about the depletion of the already meagre resources for the Plan. Diversion of earmarked resource from the Plan to non-plan activities must undoutedly retard plan performance and make further taxation necessary. The people have to be satisfied therefore that taxation raised for the Plan will not be diverted for other activities. Unless efforts are made to check the growth of non-development expenditure effectively and such expenditure is reduced to the minimum, new taxation will be opposed by the people on the score that the Government continuously raises the taxes only to fritter away the resources. The constitution of an Economy Committee by the Government may be argued as indicating its earnestness in securing all possible economies. But it would be answered that if constitution of Committees and Commissions were the real remedy, the rise in Government expenditure would have been checked long ago and that in spite of several Economy Committees, administrative expenditure has been steadily mounting up from year to year. We have drawn attention to the fact that some increase in the non-development expenditure is inevitable, and indeed necessary, in the context of planned development, because Planning results in expansion of both development and non-developmental Government activities. It is not so much the expenditure incidental to the discharge of governmental functions that should cause concern but the rise in expenditure which is out of proportion to increased work or benefits derived therefrom. We have suggested the ways of reducing such expenditure and adoption of the measures recommended by us will go a long way to reduce public dissatisfaction and disarm popular opposition to the State's tax effort. But the question that arises will be whether by the adoption of economy measures alone the required resources for the Plan could be found, without the Government imposing fresh burdens on the people in the way of additional taxation. Fresh taxation would indeed be unnecessary if the resources for the Plan were short by just the amount that will accrue by giving effect to economy measures. Actually, however, in the forecast of resources for the Plan, the effect of the pay-revision introduced from 1st January 1961 had not been taken into account. The assumed resources do not also take into account the non-plan commitments of Government already referred to. On the latest appraisal of the financial portion of the State during the Third Plan, an overall deficit on revenue account of about Rs. 82 crores is anticipated. This is in addition to the shortfall in the resources the plan of Rs. 43 crores to be raised by additional taxation. It is possible that the savings which the Government may secure by enforcing economies in the Plan period may cover only the additional expenditure on account of pay revision, if even that.

It is however seen from a recent press release that States will get a larger share of Union Income tax and Central Excises under the recommendations of the Third Finance Commission whose report has been submitted to the President recently. What the share of Mysore in the divisible pool is will be known only after the award of the Finance Commission is accepted by the Central Government and approved by the Parliament during its next session. But even with the expected devolution of resources under the Finance Commission's award, the State would in all likelihood be short of resources to cover fully the anticipated revenue deficit in the Third Plan. This does not obviate the need to make up the short fall in resources of the man. It is thus clear that the proposed 43 crores tax effort for the Plan is unavoidable.

5.7. As regard the scope for new taxation in the State the limiting factors are firstly, the constitutional restrictions on taxation power of States, and secondly, psychological resistance to taxation by the people in the State. We have noted in the previous para that the willingness of the people to bear the burden of additional taxes depends on their being convinced that the moneys taken away by the Government are prudently spent and utilised for approved purposes without being frittered away or wasted. Assuming, however, that the necessary climate of public opinion can be created for the State's taxation programme, such taxation has necessarily to be limited to the items contained in the State List. There are also certain items in the Concurrent List, the revenue from which accrues to the State, subject to regulation by the Parliament. A perusal of the State List, however, shows that Mysore has already tapped all the items included therein, even the last item remaining unexploited *viz*., tax on Passengers and Goods, having been mopped up recently. Apparently the State is not in a position constitutionally to take up new taxation. But new taxation does not necessarily mean the introduction of an altogether fresh tax which is not already levied. Modification of existing tax structure and variation in the rates and schemes of taxation to make the tax system fiscally adequate and efficient, are also forms of new taxation and are indeed more important, in our opinion, than introducing a new tax for the sake of novelty. It is in fact through an overhauling and rationalisation of the State's tax structure that a significant improvement in its financial position has to be looked for. The Taxation Enquiry Commission made a comprehensive study of tax systems and procedures of the Union and State Government, and its Report is still the most authoritative and valuable source of information and ideas on the subject of taxation. The Commission's far-reaching recommendations for broadening and deepening the tax systems in the country have been largely ignored, though its Report was acclaimed and applauded when it came out. On the other hand, there has been a perceptible shift in emphasis away from principles, towards a purely pragmatic approach in the taxation policies followed since Independence. A rethinking on the problems connected with State taxation is perhaps called for in view of the rapid changes in the scope and amplitude of Government functions and activities in recent years. But the State on its side has to put its financial house in order by streamlining its tax system and policies and gearing them to the needs of a developing economy. The real trouble about the State tax system is that almost all the items of taxation allocated in the State List are either inelastic or have become static. State Excise duties, which in spite of partial prohibition, contribute a revenue of Rs. 3 crores per annum, are now threatened with extinction by the adoption of total Prohibition policy. Land Revenue, once the main stay of State finances, has not only declined in importance, but 60 per cent of realisations are assigned and passed on the Local bodies. It has, as a fiscal levy, become static and sterile by reason of the rates of assessment not having been revised in the last 40 years. Tax on agricultural income has become almost a nominal levy by the exclusion of the entire agricultural produce, other than plantation and commercial crops, from the scheme of the Act and the liberal manner in which allowances and exemptions are granted. Even the revenue realised from the tax at present has been on the downward trend due to legal evasion and lack of enforcement. The fixation of land ceilings is expected to further undermine the revenue from this source, though perhaps the precise effect of Land Reforms legislation has yet to be carefully studied and assessed. Sales Tax is the single largest flexible source of revenue left to the State. But the State Sales Tax Act is fiscally inadequate and is over-burdened with exemptions. The State has surrendered the taxation power in respect of important commodities, *viz.*, Textiles, Tobacco, Sugar to the Centre, and as a result there has already been some loss of revenue and elasticity of the State tax-structure. Moreover, as we have seen, there is considerable evasion of tax which, in our estimate, is as high as a third of the revenue actually realised. Tax on Motor Vehicles is the only growing and promising source of State revenue, other than Sales Tax. But there is considerable escapement of tax due to faulty procedures and inadequate enforcement. The taxation on passangers is ineffective to the extent that the tax is merged in the fare structure of the Road Transport Corporation. Stamp duties and Registration fees show a growing trend but under-valuation and insufficient scrutiny of transactions have diminished the revenue that should come to the State. This brief review of the more important State taxation measures sufficies to highlight the basic inadequacy and inelasticity of the State tax structure taken as a whole. But by the same token, the possibility of fuller exploitation of tax resources is also suggested. There is thus sufficient scope within the State tax system for raising additional revenues by a suitable revision and readjustment of fiscal policies and taxation procedures.

5.8. The question regarding the ability of the people in the State to bear the burden of additional taxation raises a number of issues. There is, in the first place, no statistical support for the general complaint that the State taxes are excessive. On the other hand the incidence of each one of the State taxes has been lightened by the grant of liberal allowances and exemptions. Even the tax rates cannot be regarded as high generally. The burden of the State Motor Vehicles tax, which is regarded as the highest of all States in India, is mitigated by laxity in administration. The usual plea that direct taxation has been applied to the maximum limit possible may have reference to the Union Income Tax but does not apply to the State's direct taxes, such as Land Revenue and Agricultural Income Tax. It is, however, true that the tax burden is escaped by many and is falling lightly on some and heavily on others. The burden of land taxes has, in relation to soaring prices of agricultural products, become so much reduced as to be a nominal charge. Agriculture, which contributes nearly 50 per cent of the State annual product, largely escapes taxation because, firstly a considerable part of agricultural output is in the non-monetised sector, and secondly there has been marked reluctance and hesitation on the part of States to raise the taxes on land for economic as well as political reasons. A large section of people engaged in trade and professions, whose earnings happen to be below the exempted limits, escape taxation altogether, and some of them evade payment of tax or pay less than what is due. The Third Plan strategy of raising more resources from the rural sector is therefore basically sound. Unless large sections of people can be brought within the tax net and made to contribute their mite to the State Exchequer, there is bound to be imbalance in thee tax structure and the incidence of taxes levied in the State will press more heavily on a small section of tax payers. Since obviously more and more tax revenues will be needed by the State hereafter for development, the only way of raising them would be to broaden and deepen the States tax structure. The objection to this may be that the majority of the people in the lower income brackets do not have the ability to pay any tax. If, on the view that the more well-do-do are not being taxed enough and that they can bear a high rate of taxation, the rates of direct taxes are steepened, the business and investing classes will either protest on the ground that the taxation bears too heavily on them and reduces the incentive to save and ability to invest, or they may simply find ways of evading the tax. It may be taken as axiomatic that an unduly high rate of tax is certain to be evaded. On the other hand, the middle and lower income groups would complain that an increase in the rates of indirect taxes, like sales tax, hits them hard by making inroads into their already low standards of living. The incidence of taxation, generally speaking, has tended to press on the lower income groups with every increase of indirect taxation. The dilemma is one which the State Government has to face by striking a balance between the increasing revenue needs of the Government and the possible effect of additional tax effort (1) on the accepted socialistic policies of reducing inequalities of income and wealth and (2) on the plan targets of savings and investment. In a competent and clear analysis of taxation trends in India, Dr. P. S. Lokanathan has made two points which are relevant to our enquiry and they are (1) that India is still one of the lightly taxed countries in the world and (2) that in the Indian situation, where only 9 per cent of the national income is reached by direct taxation, the most effective means of bringing the remaining 91 per cent of income within the tax net is through consumption taxes. He has shown that while the percentage of national income taken as taxation in India, even at the end of the Second Plan was only about 9 per cent, the percentage of taxation to national income in the industrially advanced countries is 25 to 30 per cent and the corresponding percentages in some of the Asian countries even is 15 to 20 per cent. According to Dr. Lokanathan the most important field of additional taxation is the rural sector. In referring to the Taxation Enquiry Commission's finding that the incidence of taxation on rural income is much lower than that on urban incomes at corresponding levels, Dr. Lokanahan adds that later studies confirm this finding and that recent changes in taxation have not altered the position. He goes on to say as follows :

> " In spite of the general willingness among the States to mobilise more resources, there is no doubt that a great deal of reluctance and resistance is being encountered in levying appropriate taxes on irrigation, electricity and other public utility undertakings, which should not only cover the maintenance and interest charges but leave a surplus. Similarly there is reluctance to impose betterment levies in spite of obvious increases in the value of properties which have gained as a result of irrigation facilities ". With political voting power predominently in the rural community's hands, it is not surprising that substantial taxation of rural incomes has not been possible ".

We may quote also from an article entitled " Capacity to Pay " by Prof. C. N. Vakil. He says as follows :—

> " It is well-known that before independence the agricultural classes contributed relatively more by way of taxation on land. At the same time, the expenditure on improvement of rural classes was limited with the result that they were in a hopelessly backward conditions when freedom came. The reaction against this situation is that during the last decade of planning, though large amounts have been spent for the development of agriculture and of rural areas, additional taxation on land has not been raised. The time has come for the State to take bolder steps to impose taxes on land which has escaped additional burdens till receitly ".

In a democracy, as pointed out by Dr. B. N. Ganguli, now taxation arouses opposition which the taxing authorities are reluctant to face. There is actually in a democracy continuous pressure on Government for lower taxation, which is inconsistant with the revenue needs of development administration. Direct taxation naturally arouses greater degree of opposition and will be resisted by the more powerful interests who are affected by it. In one sense of course, those who argue against further increases in the rates of direct taxes may be concerned with the effect of increased taxation upon saving and investment. But by one means or another, the individuals or classes, who have earned more than others as a result of the distribution of larger incomes generated by development, have to be made to contribute a part of their earnings to the State. At the same time the only way in which additional revenues of the dimensions required for development can be raised is by spreading the tax-net wide and bringing into it contributions from the low-income groups through indirect taxation of articles of mass consumption. Indirect taxes are objectionable as being regressive. This, as pointed out by Dr. Lokanathan, is not wholly true, since it is possible to extend the principle of progression even in indirect taxation by taxing semi-luxury and luxury consumptions and subjecting more of such articles to indirect taxation. It is true that if the rates of tax are raised too high, they set up a chain reaction of raising taxes and wages. But the choice is between high prices due to deficit-financing and those resulting from the levy of indirect taxes. While the latter may have the effect of restraining consumption and altering its pattern to some extent, the consequences of inflation will be much more serious. In the tax-effort to be made by the State, therefore, direct as well as indirect taxes have both to be exploited and the burden of taxation spread widely on the entire population in the State on the principle of ability, so that every one contributes according to capacity for the advance and development of the State. We came back full circle to the basic recommendation of the Taxation Enquiry Commission that the tax system should be broadened and deepened.

5.9. We may take the main findings of the Taxation Enquiry Commission, with regard to the incidence of taxation in the country, as our starting point. Their broad conclusion were as follows :—

(i) Indian tax revenue amounts to 7-8 per cent of National income. Taxation on the basis of the existing tax structure and rates has not fully tapped the taxable resources of the country.

(ii) The level of urban taxation is higher than the rural. But the difference in the tax incidence in these two sectors, in groups of income up to Rs. 300 per mensem, is not appreciable.

(iii) Urban taxation is more progressive than the rural. There is room for increased taxation on rural income.

The proportion of tax revenue to national income was about 7.5 per cent at the beginning of the Second Plan. It rose to 9 per cent at the end of the Plan. In other words the rise of tax burden in India during the 5 years of the Second Plan was 1½ per cent, the annual rate of rise being 3/10 per cent. It is proposed to raise this proportion by 2½ per cent of the national product in the Third Plan. This, for the State income at the existing level of Rs. 602 crores, works out to an additional taxation of Rs. 15 crores, not taking into account the growth of revenue due to economic development. The proposed tax effort of Rs. 43 crores means, therefore, asking the people to bear a higher tax burden to the extent of Rs. 28 crores for the plan in 5 years, *i.e.*. just about one per cent of State income in a year. Thus the burden of proposed additional taxation cannot be regarded as being excessive or beyond the capacity of the people in the State as a whole to bear. Even if no new taxes are levied, the people would still be paying in a period of rising income and prices more taxes at the existing rates of fiscal levies in the State. The *per capita* State revenue of Rs. 9.5 in 1960-61 represented just 3.8 per cent of *per capita* income in that year. In the same year rural taxation, *i.e.*, Land Revenue plus Agricultural Income Tax plus net Irrigation receipts, amounted to 3.48 per cent of the agricultural product. These statistics of State taxation bear out the conclusions of the Taxation Enquiry Committee that the tax resources of the State have not been fully tapped and that there is room for increased taxation. While it is clear that there is scope for increased taxation in the State, the real point to be ascertained is the taxable capacity of the different classes of people in the State. The two plans have undoubtedly generated additional incomes. While there are statistics to show the distribution of State income by 'industrial origin', they give no indication as to the different classes and groups of people in the State who have benefitted most and the extent to which the economic position of each class or group has improved. The Planning Commission constituted a Committee last year to study the distribution of income and wealth in the country but nothing is known of its work so far. Such data is absolutely necessary for Government to distribute the burden of taxation on the different classes in an equitable manner, more especially, since capacity to pay undergoes changes in a developing economy. The State's

Statistical Department should, we feel, be commissioned to take up the study and to make accurate estimates of increases in the income of groups according to sectors and professions. It is only on the basis of such statistical data that additional taxation can be related to known situations of taxable capacity and the State taxation policies formulated and justified on the principle of ability. Meanwhile we must do the best we can by indicating pragmatically the gaps in the revenue potentialities of State taxes which can be filled, the rates which are obviously too low and can be revised, and the changes in the systems of levy that will yield additional revenue without offending the principle of ability.

5.10. The State has in its non-tax revenues, a field which can pay dividends by proper exploitation. This is the State's public sector, comprising the irrigation and power projects and industrial undertakings, including road transport. Mysore is the second largest Forest State in India and has, after Kerala, the maximum forest wealth which still awaits exploration and utilisation. Marine fishing along the States 200 miles of coast line is rated as one of the valuable assets, the development of which is expected to add to the State's food resources and provide gainful employment to thousands of fishermen families and yield a substantial revenue to Government. Marine 'gold' as it is called, the fish wealth off the Mangalore sea-board has potentialities which exceed those of a mere dollar-earner and cover such further fields of development as production of fishmeal, sharkoil. Sardine Oil and other by-products of fishing industry. The Arabian Sea near the Kanara coast is stated to possess one of the richest fish stores in the world. The proper exploitation of this through mechanised fishing, calls for the development of the necessary supporting canning and fish-preservation industries. The total Indian coastline is approximately 3,000 miles and that of Mysore State is 200 miles. But with the coast line ratio of 1 : 15, the State's fish production ratio is 1 : 10. But it is on its public undertakings that the State has to place greater reliance in future for the revenues needed for development. The new policy in the Third plan that public undertakings should not merely meet their working expenses and interest charges but provide a surplus also, is to be welcomed. The State will require progressively larger revenues to develop its social and economic services and have sufficient investible funds for its growing public sector. There are limits to the resources which the State can raise through taxation, and a large part of the resources needed for investment in the State's expanding public sector has to be raised within the public sector itself. Though the principle that public undertakings should become sources of revenue has been accepted, the mechanics of raising revenue from public enterprises have not been devised as yet. In so far as some of these public undertakings are monopolistic in character and serve as public utility concerns, such as for example road transport, it would not in principle be correct to run them purely as profitmaking concerns and impose heavy burdens on the public. But public undertakings, which run under competitive conditions and produce marketable commodities, have to be treated as regular commercial concerns and worked on strictly business-like lines with a rational price policy for yielding the maximum return. But in any case the present management of the State Public Sector industries as departments of Government is irrational and detrimental from the point of view of development as well as finance. We have already recommended the pattern best suited to the State-owned industries, short of constituting them into Corporations. It is not, in our opinion, sufficient if the State Public undertakings become self-financing only, but it is also necessary that they should make a contribution to the general revenues. If undertakings in the private sector can be run to yield phenominal profits, it is just not clear why State concerns should be modest and shy of making of comparable returns. Indeed they should become not only self-financing and self-developing ventures but a positive source of revenue to the State. A contribution of Rs. 13 crores has already been assumed from public enterprises as resource for the Third Plan. To realise this, it would be necessary to fix targets of contribution to be made by the public undertakings in the State and to issue a directive for the due fulfilment of the same. The precise amount of contribution payable by the different public enterprises must naturally vary according to circumstances. However, as a general pattern, the financial convention for determining the contribution payable by the Railway to the Union revenues may be followed. But first and foremost the provision in the existing State Electricity Board Act, and the Road

Transport Corporation Act, relating to their being worked on no-profit and no-loss basis should be deleted. It may be enacted that in future they pay annually a fixed percentage of their earnings as contribution to the consolidated Fund of the State. The contribution payable by public undertakings in the State should be treated as a statutory payment and a charge on their earnings. The Government of India may be moved, if need be, for amending the Indian Income Tax Act to make the contribution an allowable item.

5.11. In raising additional taxation, its re-distributive effect has to be kept in view. The redistributive effect of the State's public expenditure has up to now been in-significant, due partly to the small proportion it bears to the State income and partly to the expenditure on social services and ameliorative measures being comperatively low. The transfer of resources from the Centre to States under shared taxes and in the form of grants-in-aid has a redistributive effect by evening out inter-State disparities of resources. At the State level the problem is to reduce the disparities between resources and needs of the different regions in general, and of the rural and urban areas in particular. In a sense cities and urban areas make larger direct contributions to tax resources which are spent mostly in the rural areas. In this way State taxation causes a redistribution of resources from the more prosperous urban areas to the relatively beckward and under-developed rural areas in the State. The fact is that cities and urban areas are of greater significance from the point of view of raising revenues, while rural and backward areas come into greater prominance from the point of view of public expenditure. As some one has aptly remarked, our resources may be capitalistic but our economy should be socialistic. The degree of receptivity to new tax measures on the part of urban population has often a decisive effect on the revenue realised. While the elected representatives of people in the Legislature bring to bear the point of view of the rural areas forcefully and are in a position effectively to influence taxation measures, the complaint is that the urban points of view go without due representation in matters affecting their interests. The premier Chamber of Commerce of the State has brought to our notice that not only has the pace of legislation affecting trade and commerce become more pronounced latterly. but that the vital interests of those concerned are not taken into account. Referring to the Third and Fourth Amendments to the Sales Tax Act passed in December 1961, the Chamber points out that these amendments were carried through in 2 days without even the formality of consulting trade representatives. If there is any basis for this complaint, we urge that in putting through further measures of taxation, the point of view of the interests concerned, particularly of Trade and Commerce which is not having effective representation in the Legislature, should be ascertained and given the consideration due. The transfer of tax resources by the State to Local bodies is a continuation of the same redistributive process by which the State obtains assistance from the Centre in the form of shared taxes and grants-in-aid. It would be for earnest consideration if, instead of the State first making a compulsory levy in the form of taxation and then distributing the proceeds of taxation to Local bodies, both processes being susceptible to political pressures in a democratic set-up, it would not be simpler and more in consonance with the spirit of democratic decentralisation to transfer more functions of a purely local character to local bodies to be performed by them out of resources which they themselves may be allowed to raise locally. It is considered that economy in the use of resources is best secured by the cost of local amenities being met out of resources of the local population. The growing allergy to State taxation is a fact to be taken into account in the future allocation of tax resources between the State and Local bodies. The pattern that suggests itself is to leave the whole field of local development to the newly constituted Local bodies and to devolve on them items of taxation of a local character so that the local self-governing institutions in the State may manage their affairs and look after their development interest out of their own resources. Till the Local bodies develop their resources fully, they may be helped, during the transition period, with grants-in-aid and subsidies. A general extension of this principle may indeed be found to be a better method of financing the Plans than for the State to raise all the taxes and bear the entire responsibility for the implementation of the Plan as at present. A devolution of all local functions on Local bodies with necessary taxation powers would alter the whole aspect of State functions and finances. Further it would set limits to taxation at the State level and to the expenditure on State administration and functions, leaving the Local bodies free to raise the resources required for functions assigned to them at the local level itself. We visualise a tremendous simplification of the State tax-structure and effective and economical financing of the plan by the adoption of this pattern. This reform in the fiscal field is fully as far-reaching in its importance as the democratic decentralisation scheme is in the political field.

5.12. In suggesting the ways of raising additional taxation we note that normal expansion of revenues under existing fiscal acts and rates during the plan period has already been taken into account, in the forecast of resources for the Plan, with Rs. 6 and 3 crores respectively under Betterment fee and Water rate. The additional revenue of Rs. 43 crores to be raised is, thus exclusive of the items referred to above. Our search for new resources has accordingly to cover not only direct and indirect taxes but non-tax revenues also, the latter being, in our opinion, a developing source of fresh resources for development purposes in future.

5.13. We give below the classification of State taxes under different categories with the revenue from each, as per Budget Estimates of the current year :—

I. TAX REVENUE.

		Estimated Revenue (1961-62) In lakhs of rupees
	A. Shared Taxes.	
1.	Share of Union Income Tax	415.26*
2.	Share of Central Excise Duties ..	373.38
3.	Share of Tax on Railway Fares	55.63
4.	Share of Tax on Estate Duty	16.92
	B. State Taxes.	
	Direct Taxes.	
1.	Land Revenue	484.54
2.	Agriculture Income Tax	81.00
3.	Stamps	218.00
4.	Registration	32.80

In lakhs of rupees

Indirect Taxes.

		Estimated Revenue (1961-62) Rs.
5.	State Excise Duties	295.11
6.	Sales Tax	921.14
7.	Tax on Motor Vehicles	365.00
8.	Other Taxes and Duties	238.87†
	Total of A and B	3,497.65

II. NON-TAX REVENUE.

A. RECEIPTS FROM PUBLIC UNDERTAKINGS.

		Rs.
1.	Forests	693.93
2.	Irrigation	9.39
3.	Electricity Schemes	..
4.	Road Transport (Net)	40.00
5.	Industries and Supplies	1,803.11
6.	Civil Works	42.30

B. OTHER REVENUES.

		Rs.
1.	Receipts from Civil Administration	385.87
2.	Interest	263.82
3.	Grants-In-Aid	1,819.95
4.	Extraordinary items	..
5.	Miscellaneous	99.38
	Total of A and B	5,156.75

* Excludes special grant to cover reduction in Income Tax consequent on charges in compulsory taxation.

† Includes taxes on (i) Entertainment, Amusement, Betting, (ii) Gambling, Electricity and Tobacco duties, (iii) Prize competitions, (iv) Urban immovable property, (v) Sugarcane Cess and (iv) Coorg Land Cess.

We will now consider individual items of taxation and indicate the scope for augmenting revenue under each of them.

I. TAX REVENUE

(1) *Shared Taxes*

5.14. Although the receipts from shared taxes are part of State revenues, they stand in a category apart, since the State Government has no controlling voice in (i) the levy of Union Taxes, (ii) the allocation of the percentage of the taxes to the divisible pool and (iii) the basis of distribution of the same among the States. These are matters falling within the province of the Finance Commission into which we cannot enter. We see from a recent press release that the Third Finance Commission has completed its work and submitted its report to the President during December 1961. The anticipations are that under the recommendations made by the Commission, States will be getting a bigger share of income tax and Central Excise revenues and that inter-State disparities will be reduced to some extent. This is a welcome announcement. Though we can make no specific recommendations in regard to shared taxes, we feel bound to refer to certain broad trends from the point of view of their effect on State finances. It is to be noted that the periods covered by the award of previous Finance Commissions were overlapping those of the Five Year Plans and that, at the suggestion of the Second Finance Commission to dovetail and co-ordinate the work of the Finance Commissions with the programme of development drawn up by the Planning Commission, the period covered by the Finance Commission is now made to concide with the Five Year Plan. We have already brought out the anomalies in the present mode of allocation of surplus resources from the Centre to States and suggested a juster and more equitable pattern of providing States with the resources needed by them without their having to wait on the pleasure of the Central Government. The guiding principle that the gap between State revenues and expenditures should be met ordinarily by sharing of taxes has proved to be largely inadequate in the context of mounting revenue deficits in the State budgets. Shared revenues allocated to Mysore under the award of the Second Finance Commission now stand at Rs. 861.19 lakhs, which is less than a fifth of the total revenue. On the principle that the needs of States which are not covered by the devolution of Shared taxes should be met by grants-in-aid, Mysore has been given an *ad hoc* grant of Rs. 6

crores a year. Grant-in-aid is at best a temporary expedient. It is looked upon as a residuary form of assistance that with the removal of regional disparities by more intensive economic development, should be progressively reduced and ultimately disappear. In this view it would be necessary to extend both the coverage of, and the percentage share of States in the shared taxes.

5.15. But the more recent trends in regard to shared taxes are, however, operating on the whole to the disadvantage of States. Union Income Tax, which till now was the most important of shared taxes, is of late showing a declining trend and the divisible pool, which touched the level of Rs. 79.32 crores in 1959-60, has come down to Rs. 52.06 in 1960-61. This is the result mainly of changes in the corporate tax structure introduced in the Central Budget of 1959-60. The Central Government has, however, undertaken to make an additional grant to States of a sum approximately equal to that lost by the conversion of the company income tax into corporation tax. To maintain the State share of income tax, the percentage to be allotted to the divisible pool was, on the recommendation of the Second Finance Commission, raised from 60 per cent to 75 per cent. Nevertheless the changes in Company taxation at the Centre have made Income Tax less significant as a source of revenue to States by leaving only personal income-tax for the divisible pool. Mysore among other States has urged that the Corporation tax, along with surcharges levied from time to time, should be brought into the divisible pool. In view of the accepted policy of converting State Industrial undertakings into Corporations, it would be only fair if a percentage of corporation tax at least is allocated to States and shared with them. Since the Corporation component in the Union Income Tax revenue forms a major part of it and is growing, to keep it altogether out of the divisible pool would be practically to deny any share a really flexible and important federal tax to the constituent States and to make income-tax the close preserve of the Central Government which is not fair to the States.

5.16. Union Excise duties are growing in importance as a source of shared revenue since 1952-53, when for the first time States started getting a share (40 per cent) of duties on matches, tobacco and vegetable products, on the recommendations of the First Finance Commission.

Though the divisible pool was subsequently enlarged by the addition of duties on tea, coffee, sugar, pepper and vegetable non-essential oils, as recommended by the Second Finance Commission, the share of States in the total revenue was reduced from 40 per cent to 25 per cent. Since the revenue from Union Excise duties has registered a phenomenal increase from 85.7 crores in 1951-52 to Rs. 379.31 crores in 1960-61, the States may legitimately expect a much larger share in it than hitherto. Mysore has made a strong plea for Excise duties on all commodities being brought into the divisible pool and the percentage of the allocable share of States in it being raised to 75 per cent as in the case of Income-tax.

5.17. When Mysore, along with other States, agreed in the levy of additional Excise duty on textiles, tobacco, and Sugar in lieu of Sales Tax, it was considered that the State would be benefitted substantially by the levy being made at source, whereby escapement of tax liability would be avoided. Though evasion of tax may have been checked, and a minimum revenue is guaranteed to the State, it is now seen that the working of the scheme has not on the whole been so advantageous as it appeared at first sight. Additional Excise Duties, levied in lieu of Sales Tax, are no doubt distributed entirely among the State excepting for the share of Union territories. But under the formula adopted on the Second Finance Commission's recomendation, a fixed sum deemed to represent the revenue from Sales Tax in respect of the particular commodities before it was replaced by the additional Excise duty, is payable to the State, and also a percentage of the balance of collections, based on a rough estimate of consumption corrected with reference to population. Distribution on the basis of consumption being more favourable to urbanised States, glaring disparities resulting from distribution are sought to be evened out by grants-in-aid. In the case of Mysore the basic guaranteed amount payable has been determined at a crore of rupees a year. This, as the State Government has shown, is far less than what is justly due on the basis of revenue lost, taking into consideration the different systems of levy and rates of Sales Tax that existed in the integrated areas of the State. The State has a good case to have the guaranteed amount raised to Rs. 2 crores p.a., and to be compensated also for certain commodities, other than textiles, tobacco and sugar, on which Sales tax has subsequently been replaced by additional Excise duty. Meanwhile the State is losing the benefit of the higher revenue it could have realised in respect of the commodities in question, on account of improved business conditions and increased economic activity. But what is more disconcerting is the increase in the rates of the basic Excise duty effected by the Central Government on the commodities subject to additional Excise duty in lieu of Sales Tax. The States having surrendered their taxation powers in respect of these commodities to the Union, the latter should have at least consulted the State Governments before raising the basic Excise duties on the commodities in question. In fairness to the States, which are financially in a weaker position *vis-a-vis* the Union, we feel that it was rather the additional Excise duty, and not the basic duty, that should have been raised. It may be noted that, had the commodities in question continued to be subject to Sales Tax, the States would have been in a position to raise a substantial amount of additional revenue by stepping up the rates of tax. The States certainly deserve a fairer deal than they have been given in this respect. The Union should, we consider, guarantee the payment to States not merely of the sum deemed to represent its revenue from Sales Tax before it was replaced by additional Excise duty but of a sum approximately equal to the revenue they could have raised if Sales Tax instead of additional Excise duty had been levied. An agreement on these lines may, we suggest, be negotiated with the Union Government by way of safeguarding the State's financial interest. If a satisfactory settlement in this behalf is not arrived at, the State should seriously consider withdrawing from the scheme. Meanwhile there is a move to bring some more commodities subject to Sales tax under additional Excise duty. We would advise a go slow policy in this regard. The removal of three important commodities, *viz.*, Textiles, Tobacco and Sugar, from the purview of Sales Tax has already made the State's Tax structure less elastic and less capable of producing increased revenue whenever needed by the State. Sales Tax is the mainstay of State finance on which the State has to rely increasingly for raising more revenue in an emergency. In this view it would not be in the best interest of the State in the long run to transfer more commodities subject to Sales tax to Central Excise, although this may result in some temporary advantage to start with.

5.18. The adoption of the new Railway convertion, merging the tax on railway fares with the general fare structure, is one other factor which has affected State revenues adversly. The States are now paid a fixed contribution in lieu of their share of tax. By this change the States have lost the advantage of the higher revenue that would have accrued to them as the result of growing railway traffic.

5.19. With progressive rises of revenue from Union taxes more especially under Central Excise, shared taxes are likely to figure more prominently in the future budgets of States. There is further the possibility of the taxes on agricultural income and non-agricultural income being introduced under a common scheme of taxation, envisaged by the Taxation Enquiry Commission. Notwithstanding the unfavourable trends in the sharing of divisible revenue referred to above, the States may confidently look forward to a progressively larger percentage of Union taxes being allocated to them, provided two major hardles that bedevil the awards of Finance Commissions are crossed, viz., (1) percentage of Union taxes to be brought into the divisible pool and (2) basis of distribution of the divisible pool among the States. A good deal of the time and labour of the Finance Commissions devoted to resolving these two problems can be saved, and the suspense in which States are placed once every five years about the size of allocations removed, if a permanent formula for the allocation of Union revenues to the divisible pool can be laid down and a satisfactory basis of distribution of shared revenue among the States evolved. Three Finance Commissions have already covered the ground in regard to these matters in detail. Although the scheme of devolution of taxes to be formulated by the Finance Commissions has to take note of changes in the taxation patterns, and trends in tax yields during the periods covered by their awards, it should, we feel, be possible (1) to lay down a basic percentage of each item of Union tax which should be brought into the divisible pool and shared with States and (2) to evolve a permanent basis for the distribution of shared revenue among the States. We consider that a basic percentage of 80 per cent in respect of Union Income Tax and Estate duty, and 50 per cent in respect of Union Excise duties, would be reasonable. In regard to allocation of divisible revenue to States, population basis in respect of Income-tax, Estate duty and tax on Railway fares, and consumption basis in respect of Excise duties, seem most satisfactory and least objectionable.

The Government of India has, under an agreement entered into with the Oil Companies in 1958, secured a sum of Rs. 10 crores through a cut in the price of petroleum by 10 per cent. It is understood that this sum is to be credited to a 'Development fund' from which the States would be getting their share. We are not aware if the State's share in the development fund has been allocated and paid. If not, we suggest that the State Government take up the question with the Government of India and have a proper share of the fund allocated from the year 1958 on a population or other suitable basis. The State is likely to get, on population basis, additional revenue of Rs. 50-60 lakhs a year.

(2) *Land Revenue*

5.20. The State Finance Minister in 1954 observed as follows in proposing the levy of a surcharge on land revenue : "While the rate of every tax has been raised and raised several times, it is the rate of assessment on land alone that has remained at the level at which it stood thirty years ago. In the last thirty years the prices of agricultural produce have increased at least fivefold". The proposal to levy a surcharge on land revenue in that year was dropped. In introducing the Budget for 1958-59, the Finance Minister made the following statement. " The income under Land Revenue has become almost static. Survey and Settlement operations are long overdue and generally taken a long time. In view of this some of the States have adopted the system of surcharge on land revenue to augment their revenues. We have however, taken steps to expedite the revision settlement throughout the State. Though increase under land revenue so far as dry assessment is concerned could possibly wait revision settlement, there is scope and justification for suitable enhancement of water rates and wet assessment in view of the prevailing agricultural prices ". In his speech introducing the Budget for 1960-61 the Finance Minister again adverted to the topic and stated that the efforts made to expedite Survey and Resettlement with a view to augment land revenue had not yet borne fruit, and that the process was slow and might take several years before actual results could be seen. But in spite of these attacks of conscience, nothing has been done to expedite the revision of settlement in the State in the past six years since resettlement operations were taken up, and in spite of several survey parties having been appointed and put on the work. No action has also been taken by the State Government to pass orders on the resettlement reports in respect of the areas where the work has already been completed. That resettlement work according to the traditional method would be time-consuming, and that the cost involved would not be commensurate with results or increase of revenue, was well known and was emphasised by the Taxation Enquiry Commission. Nevertheless the method of resettlement was adopted in the State in preference to the levy of surcharges adopted in the other States. The result has been that while some of the other States have raised a moderate amount of additional revenue by the simpler and quicker method of levy of surcharges, Mysore has fallen between two stools and not a pie of increased revenue has been raised from land assessment. It is only last year that the State Government took decisive action to introduce a surcharge on Land revenue, pending resettlement. While the ice has been broken, we feel that the action taken is half-hearted and halting, since we see no sign of the resettlement work being completed in the near future. Though a surcharge on Land revenue pending resettlement has now been levied, the rate of surcharge is inadequate and the scheme of levy leaves many loopholes for escapement of tax. The Planning Commission has repeatedly pointed out that the most important source of additional taxation in the States is the rural sector. We have already referred to the received opinion in the country that agriculture, which contributes 50 per cent of the national income and annual output, is largely escaping taxation. We have also pointed out that rural taxation, as a percentage of total State income, is as low as 3.4 per cent. If nevertheless taxation of rural incomes has not been attempted or considered, the reasons are obviously political. In our attempt to assess the trends of public opinion in the State regarding the scope for raising more revenue from land taxation, we came across two trends of public thinking on the subject. The more pronounced and definite view is that Land revenue can easily be raised four fold or at least doubled. But there is a view that it is only a small section of farmers with surplus produce to sell that have really benefitted by price increase and that their proportion to the cultivating class as a whole is small, since 50 per cent of rural families own less than one acre, and another 15 per cent less than four acres which they require to feed themselves, the households owning more than 10 acres and who have benefitted by agricultural development being an eighth of the rural population. An objection frequently raised, whenever the question of revising land taxation is mooted, is that it is a mistaken policy to impose a number of taxes on the agriculturist. It is contended that land assessment, surcharges, water rates, agricultural income-tax, etc., fall on the same class of persons in the villages. But it is exactly this class of agriculturists who are most benefitted, and whose taxable capacity has greatly increased, by rises in agricultural productivity and prices. It is contended by some that agricultural production is subject to the law of diminishing returns. Statistics of agricultural production in the last 10 years, however, shows that production has increased by 40 per cent and that the marginal income of the cultivator has registered a significant improvement in the same period. The Taxation Enquiry Commission's finding is that there is greater scope for taxation in the rural sector. The fear expressed in some quarters that taxation of land would have a depressing effect on agricultural prices, and might act as disincentive to increased production, is now largely without basis, since the policy of agricultural price-support has been made an integral part of the Third Plan strategy, and the cultivator is therefore assured of a minimum price in respect of foodgrains, oil seeds, cotton and jute. Moreover the prospect of any recession in agricultural prices is very remote. On the other hand, prices of agricultural commodities have been continuously on the increase with a tendency to rise further. Secondly, we should call attention to the fact that as many taxes are now levied on the town dweller as are levied on the agriculturist but that the incidence of land taxes has become so light in relation to prevailing prices of agricultural commodities as to be only a nominal charge. Since what is additionally to be taxed is the increased earning capacity generated by the plans, taxation of such surplus earnings is not only not a burden but is fully justified from the point of view of restraining consumption and checking inflationary trends. Since only marginal incomes will be touched by the new effort, persons, whether in rural area or urban areas, having this marginal income only will be affected, and it is precisely these persons who have the capacity to pay additional taxes. Thus the proposed additional taxation is not likely to be either oppressive or burdensome to the persons who will be subjected to it.

5.21. In any event increase of Land revenue due to revision of assessment cannot be regarded as additional taxation. Revision settlement is a normal process and increase in revenue demand to be made as a result of periodical revision cannot be construed as a fresh imposition. The accepted formula of revision settlement is to fix the assessment at 1/16 of the gross produce. On this basis the revised rates of assessment would be many times the prevailing rates. Even on the basis of average commuted value of agricultural produce over a period of 30 non-famine years, the revised rates would be thrice the present rates of assessment after making allowances for enhanced cost of cultivation. It is in this view that the Taxation Enquiry Commission sounded a note of caution and observed as follows :—

> "A significant factor in the determination of incidence of land revenue demand is the change in the net income of the profit of the cultivator and not the value of his gross produce. It would not be right to raise or reduce the demand in proportion to the increase or decrease in the price levels. A change in price by 25 per cent in either direction should not call for adjustment in the land revenue demand."

We may refer here to certain views expressed, and changes suggested in the systems and patterns of land taxes. There is a view that land is a means of employment of the bulk of the rural population and should not therefore be treated as a source of revenue, and that revenue based on land may well be replaced by a general Agricultural Sales-tax. To make land taxation less regressive in character, a suggestion has been made that basic holdings may be assessed at progressive rates on graduated basis, with complete exemption of holdings below a certain limit. Alternatively it is considered that lands cultivated with commercial or money crops should be charged at higher rate of assessment. Under the Madras Land Revenue (Surcharge Act, 1954), land-holders paying an assessment of over Rs. 500 were made liable to pay a surcharge at rates ranging from 2 to 8 annas on every rupee of assessment, including water rate. By the subsequent Act of 1955, Madras levied a surcharge generally on all land revenue assessment, including water rate, at a flat rate of 2 annas in the rupee. A surcharge in lieu of resettlement was levied in the erstwhile Hyderabad State. There is also the Kerala Land Tax system of levy of a basic land tax supplemented by taxation of agricultural income. We have considered these suggestions regarding the reform of land taxation. We feel that there is no need for the adoption wholesale of any of these alternative methods of assessment of land. The basic Land Revenue system in the State does not, in our opinion, call for any radical changes except in regard to the period and frequency of revision settlement. Owing to revision settlement being delayed, the agriculturists over a major part of the State, have been allowed the benefit of needlessly low rates of assessment over the past three decades to which they are really not entitled. They should not demur returning a part of the increased carnings and income, which is a gift of the two plans to them, to the State that has been doing and is trying to do so much for them. The State being in need of resources to implement the Third Plan, the people in the rural area, who are to benefit most by the implementation of the plans, should contribute in proportion to their increased taxable capacity at least. The increased capacity, so far as agriculture is concerned, is the highest in the irrigated sector of the rural economy, and next under the cultivation of commercial and money crops. The increased earnings from both these sources have to be tapped. At the same time agriculturists generally should make a moderate contribution to the Plan and for this purpose a levy of general surcharge at a low rate on land revenue has to be considered.

5.22. In Mysore there have been several proposals since 1948 in regard to reform of Land revenue. The Mysore Land Reforms Committee 1948 recommended the introduction of the principle of progression in land revenue assessment and proposed the levy of a surcharge on a progressive scale on holdings assessed at more than Rs. 100, with a reduction in the maximum rate of assessment on dry land to Rs. 2 per acre. Though a bill was brought in by the Government in 1954 to levy a surcharge of land revenue at the rate of 12½ per cent on dry, 50 per cent on wet, and 66 2/3 per cent on bagayat assessments, with enhancement of assessment on coffee and other plantation lands to Rs. 10 per acre, the proposal was dropped and in its stead the scheme of Agricultural Income Tax was introduced. It is only last year that the levy of surcharges, in lieu of resettlement, was introduced in the State. In our view two kinds of surcharges may be levied. It is necessary first of all to remove the existing disparities in the levels of assessment in the State, as between the areas already resettled and those in which resettlement is due but has not been either taken up or completed. The incidence of land tax should not vary to such an extent within the same State only because of revision settlement having been taken up and completed in some areas and not in others. Assessment in the different areas of the State, whether resettled or not, has to be brought to the same level, so far as the basic land assessment is concerned. In this view we came to the conclusion that a surcharge should be levied, as an interim measure, to redress the existing inequalities in the incidence of assessment, pending resettlement work being completed throughout the State. We felt further that a general surcharge should be levied also on all land assessment on the lines broadly of the additional surcharge in Madras. Accordingly the following resolution adopted in this behalf by us was communicated to the Government early in March 1961.

> "Having carefully considered in a comprehensive manner the levy of a surcharge on land revenue, the Committee recommends that there shall be a general surcharge of 12½ per cent on all land revenue, including water rate, as additional resouces for the State Third Plan and that in case the yield from this levy be found inadequate, the rate may be raised up to 25 per cent. The Committee is further of the opinion that there shall also be a surcharge, pending resettlement, at the rate of 50 per cent of existing land revenue including water-rate, which shall apply only in the areas where resettlement is due and has not been completed and that the surcharge may cease to be levied in each such areas as and when resettlement is extended to it."

The Government, in accepting the principle of surcharge in lieu of settlement, levied it at 30 per cent with certain adjustments and exemptions with effect from the current year. But since the prevailing rates of assessment are expected to be doubled after revision, the 30 per cent surcharge is much less than what should be levied to remove the existing disparities in the levels of assessment in the State. We therefore strongly reiterate our recommendation already made and suggest that the rates of surcharge be raised from 30 per cent to 50 per cent, pending revision settlement. We also recommend the levy of a General surcharge at 12½ to 25 per cent on Land revenue and water rate with immediate effect, for the duration of the Third Plan period as specific resources for the Plan.

5.23. It is most important, however, that resettlement operations in the State are completed within a period of one year, as we have suggested already. It should be possible to achieve this object by posting sufficient number of Survey parties in all areas where resettlement is overdue. The scale of survey parties for resettlement work need not be elaborate and should, in our opinion, be limited to (1) one Settlement Officer of the grade of Assistant Commissioner, one Assistant Settlement Officer of the grade of Tahsildar with 2 Clerks, for each District, and (2) one Settlement Revenue Inspector, with the usual number of peons, for each Taluka. Each such party should, we feel, be able to complete the field work in the District within six months. This schedule of work should be enforced, and settlement operations over the entire State completed within one year.

5.24. We are given to understand that previous Survey Settlements had been made on an emperical basis without due regard to the two important factors, *viz.*, yield of principal crops and price levels and that this in the cause of disparities in the pitch of assessment and its variations from area to area in the State. The Survey Department has now been trying to evolve uniformity in the group maximum rates for all categories of land based on the yield as well as price factors. Revision based on price levels, without reference to yield, would not be scientific or correct, since prices may be uniform throughout the State, while yields of different crops may vary from tract to tract, depending on soil and other factors. The procedure for standardisation of rates undertaken by the Department is in our opinion, correct and scientific, and we suggest the adoption of the same throughout the State. Once the rates of assessment have been revised and standardised on these lines, further revision may be made automatically with reference to price levels alone. But standardisation should not be made an excuse for protracting resettlement work. After standardisation of rates of assessment, we feel, that it should be possible to carry out the Revision Settlement regularly once in 10 years with reference to price levels, as recommended by the Taxation Enquiry Commission. We accordingly recommend that the present period of Survey guarantee be reduced from 30 to 10 years, and that hereafter Land revenue assessments be revised once in ten years with reference to price variations. At the same time the ceiling limit of 33 1/3 per cent, fixed in the Land Revenue Code for increases in assessment by revision, has to be dropped. We suggest that the existing provision in the Land Revenue Code in this behalf be deleted.

5.25. It is, however, most important that a uniform Revenue Law in the State is introduced without further delay, with a view to placing the principles of Land Revenue administration and pattern of assessment throughout the State on a common and uniform basis.

5.26. We reiterate here the suggestion already made by us to consolidate the existing cesses (except Maintenance Cess under the Irrigation Act) levied separately into a combined levy at 50 nP. per rupee of assessment.

5.27. The revision of the land assessment is a part of the bigger question of readjustment of tax burdens in the States with reference to increased incomes and wealth under the two plans and redistribution of the same among the different classes of the people. Reference has been made to the principle of progression, which we consider should be extended to Land revenue assessment and to water rate levies. If the incidence of land assessment, in relation to prices of agricultural products from dry lands, is low, it is much lower and almost insignificant in respect of the produce of irrigated lands. Actually the cost of irrigation has became a drain on the general revenues of the State. As we have noted earlier, the loss, both of irrigation benefits and irrigation revenue, may be minimised firstly by expeditious execution of irrigational projects and secondly by securing fuller utilisation of irrigational potential created. There is also considerable wastage of water due to unauthorised use which can be prevented by strict enforcement of rules and imposition of deterrent penalties. It would help rapid development of irrigation under new projects to allow rebates and even remissions of water rate in the first few years to those who bring prescribed extents under irrigation within the time limits fixed, and to those who take up improved methods of cultivation. But water rate should, we consider, be made a compulsory levy, where, as in the Belgaum Division, it is now left to the option of cultivators to take water or not. A strict application of the procedure under Section 28(ii) of the Mysore Irrigation Act is coming in the way of revenue officers collecting water rates as soon as the projects are completed. The adoption of the rule, under the Bombay Irrigation Act, for levy of consolidated assessment in respect of second class tanks will make the collection of water rate simultaneous with the completion of the project. We suggest that the Mysore Irrigation Act may be amended in this behalf to avoid loss of revenue dire to procedural defect. We cannot but express grave concern regarding the present neglect of the financial aspects of irrigation projects in the State on which crores of rupees have been spent. One reason for this is that more than one authority in the State is concerned with irrigation. The P.W.D. is only interested in construction, restoration and repair of irrigational work, while the Revenue Department is held responsible for booking the proper demand of revenue in respect of them. This lack of co-ordination between the two Departments is the cause not only of inadequate return from irrigational projects but also of poor maintenance and unsatisfactory upkeep. The State has not only major and medium irrigation projects but also 35,000 tanks scattered over the entire area. The maintenance and administration of all these sources of irrigation is subject to more than one law, since it is regulated partly under Land Revenue Code and partly under the Irrigation Act. Irrigation projects and tanks constitute together the most valuable asset which is the source of productivity and income to the people and of revenue to the State. It deserves to be better cared for than now. Despite development and increases of extent under irrigation, the net return from this source to the State is ironically going down instead of rising. We consider that a comprehensive Water law should be enacted governing all aspects of use and management of the State's water resources for irrigation, power, and industrial purposes. An integrated scheme, providing for the levy of appropriate rates for each of such use, with periodical revisions of the same and imposition of suitable penalties and deterrents for misuse is necessary. Our views generally in this behalf are as follows :—

(i) There may be only two categories of irrigation tanks in the State, *viz.*, major and minor tanks, classified on acreage, instead of assessment basis. All tanks with an irrigable extent of 50 acres and more may be classified in the State sector and their administration, including restoration, repair, distribution of water and levy and collection of water taxes and betterment levies, entrusted to a single authority in the State, *viz.*, the Public Works Department. Minor tanks fall within the purview of Local Bodies and should be transferred to them for maintenance under the technical guidance of the Public Works Department.

(ii) A uniform maintenance rate of Rs. 5 per acre should be imposed under all irrigation sources, viz., canals, major and minor tanks in the State, which shall be a compulsory levy and be collected in one lump along with the first instalment of land assessment. The Planning Commission has already made a suggestion to the State to introduce a compulsory maintenance cess. According to the State Statistical Register (IV. Irrigation. Page 16), the irrigated area in Mysore in 1957-58 was about 4 lakhs acres under canals and 8 lakhs of acres under tanks. As two-thirds of the latter may be taken as the extent of irrigation under minor tanks, the area irrigated under major tanks is about 3 lakhs of acres. An irrigational potential of 5.2 lakhs of acres has been created under completed projects in the Plans. Though, out of this, irrigation has developed to the extent of 2.84 lakhs of acres only, provision has to be made for the maintenance of canals for the entire irrigational potential created. The proposed maintenance rate of Rs. 5 per acre will thus yield an additional revenue of Rs. 90 lakhs per annum on the 18 lakhs of irrigated area in the State, including the irrigational potential under new projects. The additional revenue to be expected by this levy during the Plan period will be Rs. 3.60 crores, if the same is imposed forthwith. We recommend that the levy be made forthwith to avoid an unnecessary charge upon the general revenues of the State.

(iii) A betterment levy should be made in respect of all new major irrigation projects and tanks up to 50 per cent of appreciated value of lands due to irrigation and in the case of minor tanks, up to 25 per cent of capital cost.

(iv) Water rate should be separated from land assessment and made into an independent levy. The object in imposing water rates should be to cover the debt and overhead charges. But wherever water rate has been merged in the consolidated wet rate, as under old irrigation projects and major tanks in the State, the water component should be separated from assessment and revised to the level of the prescribed water rate at the time of resettlement. Madras is considering to raise the water component of the consolidated wet assessment up to 66 2/3 per cent. Till the water component in the consolidated wet assessment is separated from the consolidated wet rate by revision settlement, surcharge on the latter may be levied to bring up the water component to the level of the water rate. We propose a rate of surcharge of Rs. 8 per acre on lands irrigated under canals and Rs. 6 per acre under tanks. While the principles and pattern of water rate levies should be uniform throughout the State, the rates of levy may differ from one area and tract to the other, depending on irrigational practices, nature of soil, yield and other relevant factors. But water rate should be made a compulsory levy throughout the State.

5.27. In regard to water rate levies there are two patterns to choose from. In Maharashtra, water rate is determined on crop basis, or strictly speaking on the number of waterings, and the rate goes up to a maximum of Rs. 180 in the case of sugarcane. In Madras, there is a basic water rate, which goes up to Rs. 15 per acre, and an additional charge of 50 per cent of the same for a second crop, irrespective of the nature of crop. We have discussed the relative merits of both the patterns with the authorities of the Irrigation and Revenue Departments and given the matter our deep consideration. In our opinion the levy of a flat rate on acreage basis, which has been the practice in the State since the completion of projects like the Vani Vilas Sagar and Krishnaraja Sagar, is inadequate and not rational. A flat rate makes no distinction between a land cultivated with a single crop in a year and that on which more than one crop is raised. The acreage basis takes no account also of the quantity of water utilised or the frequency of its supply, while it removes the incentive for economical use of water on the part of beneficiaries. Moreover the higher earnings from cash crops like sugarcane is not tapped by the flat rate, whereby the incidence of the levy becomes more burdensome to cultivators with lower income. The cultivation of food crops, which are not so lucrative as money crops, is also discouraged. A levy based on crops is in our view in better accord with the principles of ability and benefit and results in a fairer distribution of burdens among the beneficiaries, in relation to the variation in demand on the storage available in the different seasons according to the nature of crops raised. A crop basis thus makes the system of levy more rational and equitable and also leads to conservation of water and more effective use of it. We therefore recommend a change-over from the acreage basis of levy of water-rate in the State to the Maharashtra pattern of levy on crop basis.

5.28. While recommending the broad pattern of levy of water rate on crop basis, we have made it clear that the water rates to be levied need not be uniform throughout the State. Even in regard to basic Land revenue, the rates of assessment are not uniform and do vary from tract to tract, depending on various factors such as yield classification of soil, etc. There is no uniformity at present in water rates levies in the different areas and under the several irrigational projects in the State. Water rates in the old Mysore area were fixed and levied for each project as they were completed but they have not been revised till now. While a flat rate of Rs. 10 per acre was levied in the Krishnaraja Sagar ayacut in 1924, a provision was made then for the revision of the rate once in 10 years But no revision has taken place till now. Such periodical revisions of water rates were intended to make the cultivator to take to light irrigation methods and thereby help to spread irrigation over a much larger area and benefit more people, while creating the conditions for economical and optimum use of available water resources. If the development of irrigation in the Visvesvaraya Canal areas has not proceeded on the expected lines, and there is considerable wastage of water and loss of revenue to Government, it is due in part to the levy of a low water rate and non-revision of the same for over the past 25 years. A cultivator in the Visvesvaraya Canal area pays water rate at Rs. 10 per acre and is allowed to draw unlimited supplies of water for heavy irrigation of sugarcane and paddy. The Block system of irrigation contemplated a triennial rotation in sugarcane, paddy and dry crops. The flat rate of Rs. 10 per acre was only the average of the three rates of Rs. 15, 10 and 5 per acre, for the three rotational crops respectively. According to the intention of the scheme, therefore, the rate of levy should be Rs. 15 per acre for sugarcane cultivation but the actual rate levied and collected all these years is Rs. 10 per acre only. The abandonment of triennial rotation, almost from the inception of irrigation under the project, has not only deprived the State of additional revenue all these 25 years but has also distorted the very scheme of the project and held up the development of irrigation in the tract by conferring advantages without liability to cultivators in the upper reaches and denying legitimate benefits to cultivators at the tail end. For the crores of rupees spent by Government on the construction of the project and its maintenance all these years, the net return is just Rs. 4 per acre, if the cost of maintenance at Rs. 6 per acre is deducted from the water rate. On a rough estimate, the State has, by levying a lower water rate than provided and not revising the same once in 10 years, lost a revenue of Rs. 5 crores in the past 25 years. The loss is really much more than this, since the flat rate of Rs. 10 per acre is purely nominal in the absence of additional charge for second and third crops raised by beneficiaries. While no one grudges the prosperity that the project has brought into this previously arid tract, what should be regretted is the unhealthy trends in irrigation and wrong irrigational practices that have developed in the ayacut, which have halted the progress of irrigation on proper lines and denied the State Exchequer the revenue legitimately due to it.

5.29. We have referred to the Localisation scheme adopted under the Tungabhadra Project. This is an essentially extensive irrigation scheme which, in principle, is quite sound. But if the trends of irrigation under the Krishnaraja Sagar Project are any guide, the chances are that the Localisation scheme under Tungabhadra Reservoir may fail as its variant the Block system did in the Visvesvaraya Canal area and for the same reasons. The trend, wherever water is made available and no restriction is imposed upon its use, is for intensive irrigation to develop at the expense of light irrigation. The real reason for this seems to be that the returns from irrigated dry farming are relatively less certain and smaller than from heavy irrigation and the scheme will not therefore appeal to, or interest, a large class of cultivators. Localised irrigation has this additional disadvantage that channels have to be run over ‘ dead reaches ’, which is an open invitation for use of the water flowing by. The ‘night-and-day ’ supply is another clumsy feature and a direct cause of unauthorised and uneconomical use of water. It is to be hoped that the Official Committee, set up for the proposed High Level Canal will go into the scheme of Localisation and suggest measures for removing the anomalies and defects therein.

5.30. Water rates on crop basis is already in force in the Belgaum Division. Our recommendation is to extend this basis throughout the State. The existing rates in force in the Belgaum Division range from Rs. 60 to Rs. 120 per acre for sugarcane, Rs. 15 to Rs. 25 per acre for paddy, and Rs. 8 to Rs. 10 per acre for dry crop. In the Ex-Mysore area, a flat rate on acreage basis with a maximum of Rs. 10 per acre, is being levied. The Official Committee, which went into the question of revision of water rates in erstwhile Mysore State, recommended the adoption of the following rates :—

Irrigated dry Rs. 5 to Rs. 8 per acre.
Paddy Rs. 10 to Rs. 16.
Perennial crops Rs. 20 to Rs. 32 per acre.

Government passed orders in 1956, on the report of the Nagan Gowd Committee, approving of the following rates :—

Irrigated dry Rs. 5 to Rs. 8 per acre.
Paddy Rs. 8 to Rs. 15 per acre.
Sugarcane Rs. 15 to Rs. 25 per acre.

Even these lower rates, compared to those recommended by the Official Committee, did not come into effect. The question was referred again to a Committee of Engineers, who met on 13th April 1961. The findings of the Committee are that the rates approved by Government are low, having regard to (1) existing rates in the Bombay Karnatak area, South Kanara, and (2) the prevailing market prices of produce of irrigated crops. The Committee has opined that in the Visvesvaraya Canal area water rates per acre may be revised and fixed at (1) Rs. 50-60 for sugarcane, (2) Rs. 15-25 for paddy and (3) Rs. 10 for semi-dry crops. In regard to summer cultivation, the Committee suggests a doubling of the water rate in view of greater consumption of water, no additional charge for summer crops being made now. The rate suggested by the Committee for manurial crops is Rs. 5 per acre. But these rates also are much lower than those now levied in the Belgaum Division. Water rates in Belgaum Division are higher than in the other areas of the State for the reason that no betterment levy was levied in respect of irrigation projects in erstwhile Bombay State. In view of this, we feel, that the existing water rates in respect of completed irrigation projects in that Division call for no revision and should be continued. In regard to the other areas of the State, where betterment fee is being levied, we recommend that the rates suggested by the Committee of Engineers referred to above, be adopted and brought into force immediately in respect of all projects, including the Visvesvaraya Canal and other river channels. The rates recommended by the Committee of Engineers should be regarded as the minimum and be revised from time to time. To start with, the rate for sugarcane may be fixed at Rs. 60 per acre for sugarcane cultivation by, and carried on with the support of, sugar companies, and Rs. 50 per acre in other cases generally, (2) Rs. 20 for paddy, and (3) Rs. 10 for semi-dry crops. In regard to consolidated wet assessment the water component in which cannot be readily separated, a surcharge of Rs. 8 and Rs. 6 per acre, already suggested by us, may be levied. On the above basis, the additional revenue that may be secured will be as detailed below:—

	Rupees in lakhs.
(1) At the rate of Rs. 60 per acre on 40,000 acres of sugarcane land owned and helped Sugar Companies	24
(2) At the rate of Rs. 50 per acre on 75,000 acres of the remaning sugarcane land	37
(3) At the rate of Rs. 30 per acre on 1,64,000 acres of paddy land under reservoirs and river canals where wet rates are levied separately ..	33
(4) At the rate of Rs. 8 (surcharge) per acre on 2 lakhs acres on which consolidated wet rate is levied	16.5
(5) At the rate of Rs. 6 (surcharge) per acre on 5 lakhs of acres under tanks cultivated with mixed crops	30
(6) At the rate of Rs. 10 per acre on 2.8 lakhs of acres of new irrigation	28
Total ..	168.5

or Rs. 1.7 crores a year.

Making allowance for all factors, the additional revenue per year may be taken as Rs. 1.5 crores a year, or Rs. 6 crores during the remaining four years of the plan. A revenue of Rs. 3 crores under water rates having already been assumed as the resources of the plan, the net additional revenue by the recommendations made above will be Rs. 3 crores in the plan period.

5.31. We suggest further that additional water rate at 50 per cent of the rates recommended above be levied wherever more than one crop is raised under all river channels and projects. In the case of lands under tanks, the additional water rate for a second crop may be Rs. 10 per acre, pending revision settlement. The additional revenue, on an estimated extent of 20,000—30,000 acres under double cropping in the State, will be Rs. 3 lakhs at year. If the additional water rate is levied immediately a revenue of Rs. 12 lakhs may be realised in the Plan period.

5.32. Besides the use of water for irrigation, water is supplied for industrial and other uses also. The existing scale of supply of water to Sugar companies and other industrial concerns have to be reviewed, and wherever possible the charge raised suitably, having regard to increased capacity of industrial concerns to pay and to increasing maintenance costs of projects. If there is any legal bar to the revision of rates under agreements the levy of a surcharge on the rates may be considered during the period of agreement. Water is being supplied to the Mysore Sugar Factory, Mandya, charging them Rs. 500 per M.C.ft. But in the case of Sugar Factory at Muinrabad, the rate charged is Rs. 2,000 per M.C.ft. Water supply is being given from canals to various other industrial concerns at varying rates. Thus the Krishnaraja Mills, Mysore, is charged a lumpsum of Rs. 1,000 a year, and Pandavapura Sugar Factory Rs. 500 per M.C.ft. The Mysore Chemicals and Fertilisers, Belagola and the Mandya National Paper Works, are getting water at a concessional rate, the latter being required to pay a minimum amount under the agreement. Water supply to the Mandya Sugar Factory Colony and to Mandya Municipal Council is made on *ad hoc* basis. We feel that the rates for water supplied from irrigational canals for other than irrigation should be rationalised and made uniform. Accordingly we recommend as follows :—

(1) For supply of water to industrial concerns including sugar factories, the rate be fixed uniformly at Rs. 2,000 per M.Cft., newly-started industrial concerns being allowed a concessional rate of Rs. 1,500 per M.Cft. for a period of 3 years in the initial stage.

(2) In the case of all industrial concerns, the minimum amount that should be paid in a year should be fixed in the agreement, as has been done in the case of the National Paper Mills, Mandya.

(3) In the case of supply of canal water to municipalties, or industrial colonies, for non-industrial use, the rate may be fixed uniformly as Rs. 250 per M.Cft.

(4) Existing rates of water supply to industries, municipalities and industrial colonies, should be reviewed and a surcharge levied to cover the difference between present rates and those recommended, during the currency of subsisting agreement.

(5) The rates of water supply recommended may be adopted immediately and revised once in 5 years.

The above recommendations may be expected to yield Rs. 3 lakhs a year, an additional revenue of or about Rs. 12 lakhs for the rest of the Plan period.

5.33. Considerable extents of land classified as marshy, which were left out of account for the levy of water rate, have been drained under anti-malarial measures and come under irrigation. These lands, and also 'medu' lands, which have been irrigated, have escaped both betterment and water rate levies. The ayacuts of Vani Vilas Sagar and V. C. area and also of other more recently completed irrigation projects should be surveyed carefully to book instances of escapement of water levies such as this. Also tank beds given out for cultivation, on which irrigated crops are raised, have to be charged water rates. On a rough estimate, the extent of such land in the State may be taken as 20,000 acres on which water rate and betterment levies should be imposed. Additional revenue at Rs. 15 per acre will be Rs. 3 lakhs a year, or Rs. 12 lakhs in the Plan period.

5.34. Revenue is due on the allocable waters of the Tungabhadra Reservoir from which a revenue of Rs. 2 lakhs may be taken, apart from arrears of Rs. 9 lakhs due to be adjusted. Taking this into account, an additional revenue of Rs. 17 lakhs may be expected to be secured in the Plan period.

5.35. Temporary water rate is leviable under the Land Revenue Code on lands on which Government water is used with or without permission during inter-settlement periods. For the use of Government water continuously, a permanent water rate is charged. The permanent rate should normally be twice the ordinary rate. Ordinary water rate levied for temporary use of Government water may be the same as the basic water rate on crop basis recommended above, if water is used with permission. For unauthorised use of Government water, penalty may be increased up to ten times the ordinary rates. When water is used for non-agricultural purposes, the charges should be half as much again as the ordinary rate.

5.36. The Mysore Finance Enquiry Committee recommended that the water rates be revised once in five years. We have recommended, in the case of land revenue, that assessment be revised once in 10 years. In our view the period of revision of water rates should be synchronised with that of land revenue. We suggest accordingly that there shall be a synchronised revision of land assessments and water rates once in every 10 years in a common base period.

5.37. The survey of unsurveyed Inam villages in the State has to be expedited. The correctness and pitch of assessment and water rate, as well as demands based on them, should be carefully scrutinised and checked to guard against under-assessment and booking of wrong demand.

5.38. Betterment levy in Mysore is as old as 1888. To begin with, a third to a fifth of the difference between the local market values of an acre of dry and of wet land was taken as the basis of levy. In Madras, incremental value is taken at ten times the increase in value of the gross product, the practice in Andhra being to take 25 times of the value of gross product, deducting from it the cost of making the land fit for irrigation. The Taxation Enquiry Commission recommended the levy at 50 per cent of increase in land value attributable to irrigation. In our opinion, a lower rate should be adopted in the case of settled wet lands to which the new source of irrigation provides assured water supply. Wherever restoration of tanks results in improvement of capacity, betterment fee should be levied on the extent newly brought under irrigation only. The underlying principle of betterment levy is that the beneficiaries should surrender to the State, representing the community, a share of the unearned increment brought about by social factors. A part of the capital cost of projects so recovered will be available for spreading the development in the other areas of the State, so that betterment fees form a ‘revolving fund’ for irrigation development in the State. Incidentally the problem of grant of equal extent of land lost by submersion under irrigation projects to persons who are deprived of lands has become acute, as sufficient extent of land for the rehabilitation of such persons is not available under many of the new projects. To solve this difficulty partly, and also to afford facility for the payment of betterment fee by persons with lands in excess of their capacity to make them fit for irrigation, the latter may be allowed to surrender a part of their holding in lieu of cash payment against the demand, as was done under the K.R.S. Reservoir. It is very important, however, in the present resource context to have the formalities as to enquiry, etc., under the Irrigation Act completed expeditiously for all completed projects, and to see that the correct and proper demands booked without delay. We have suggested the appointment of a senior Revenue Officer in the Public Works Department for the prompt and correct booking of irrigation demands, since a sum of Rs. 6 crores is expected to be realised from betterment levy in the Plan period. We suggest that an officer be appointed and posted at once. Further, the time limit for the completion of enquiry for each project as well as targets of annual collection and demand, should be fixed and strictly enforced. A rebate of 5 per cent of demand under betterment fee may be given if payment of the entire amount of contribution is made in a lumpsum in the year in which the first instalment becomes payable.

5.39. Lands and buildings situated by the side of the National Highways and trunk roads in the State have greatly appreciated in value. The incremental value in these cases is due entirely to social causes and general economic development. There is a betterment element here which has to be subjected to a levy, as in the analogous cess of lands whose value has increased by the construction of new irrigation projects. We recommend that a survey of lands and buildings, situated along the National Highways and trunk roads in the State, be caused to be made and a betterment levy imposed under a special enactment on the lines of the Central Government Act passed in this behalf.

5.40. The phenominal rise of land and property values in urban areas is an immediate and ready source of additional taxation of unearned incremental values which has to be tapped. Agricultural lands in cities and urban areas are being used increasingly for non-agricultural purposes. The rental value of such lands has risen so high as to call for revision and enhancement of existing rates of assessment on sites and buildings and of the 'conversion fine' levied for the use of agricultural land for non-agricultural purposes. The Mysore Finance Enquiry Committee suggested the abandonment of the system of levying penalties in lieu of, or in addition to, non-agricultural assessments and its replacement by a regular tax on non-agricultural lands according to the use to which they are put, and a periodical revision of such assessment. The Andhra Pradesh has a Non-agricultural Land Assessment Act under which higher rates of assessment are levied on lands used for industrial and commercial purposes. We suggest that this aspect be kept in view in framing the uniform Land Revenue Code. Our suggestions in this behalf are that to start with, the existing rates of Building Tax under Land Revenue in cities and urban area, and of 'conversion fines,' be doubled, and that at the next stage, special rates of assessment of agricultural land used for non-agricultural purposes be fixed and levied according to the use to which it is put under a special enactment. We recommend the revision of all such special assessment rates once every 10 yeras.

5.41. In the case of lands used for construction of 'residential' buildings, the rates should have a relation to the increased rental or letting value, and where such lands or buildings are used for an industrial or more profitable purposes, the rates should be substantially higher. A survey of all agricultural lands within a certain radious of Bangalore and other cities and important urban areas in the State, should be made. In cases of unauthorised conversion of agricultural lands for other uses, the existing conversion fine should be doubled.

5.42. It is understood that in places like Hubli, Gadag and Belgaum, there have been numerous instances latterly of permission being obtained first for the use of agricultural land for the construction of residential buildings, and then of such buildings being used for other than residential purpose without the permission of the Deputy Commissioner as required by the rules. Since three-eighths of non-agricultural assessment would be waived in respect of residential buildings, their use for a different purpose without permission results in the undue advantage to the party concerned and needless loss to the State to the extent of waived assessment. In the old Mysore area also, 'special assessment' is waived under existing rules as long as the converted land is used for construction of residential buildings only. The payment of this special assessment is being escaped now by the use of buildings for industrial and commercial purposes without permission. The leakage of such revenue due to laxity in administration is substantial and particularly so in the case of Bangalore City. A better enforcement of existing rules is called for, and will bring in a sizable revenue which is now being evaded and lost. The levy of a suitable penalty in cases of unauthorised change in the use of agricultural land is suggested.

5.43. A considerable amount of ' shy ' money, and sums saved by escapement of taxes, is at present going into property deals in the cities and larger towns in the State. The value of buildings and sites in cities like Bangalore and even in places like Mangalore, Hubli, Belgaum and Davangere has risen to unprecedented levels out of all proportion to their real worth. Speculative business in urban properties has developed into a regular trade, if not a racket, and those who make easy money out of it are also successfully escaping all taxes. Instead of the profiteering middlemen being allowed to enrich themselves at the cost of society and make fabulous incomes by speculation, the State should try and take a part of the caboodle through taxes. While there can be no disagreement as to the desirability of taking this kind of unearned increment, the only question for consideration is how it may be tapped. All the States have Betterment Levy Acts on their statute books for the recovery of a part of the increased value of lands due to irrigation facilities. If a levy of contribution from agriculturists owning irrigable lands is justified, there is greater justification to take away a share of speculative rises in the values of urban properties of social origin. The Kerala Lands (Levy of Additional Tax) Act, 1958, which taxes urban immovable property in the city of Trivandrum to start with, affords a model which can be adopted in Mysore. The Andhra Pradesh Non-agricultural Lands Assessment Act, 1959 also seeks to levy a higher rate of assessment on lands in urban areas graduated according to population. Madras is taking action to have the rise in land (ground) values in Madras City and other places like Madurai, Coimbatore, etc., surveyed by appointing special survey parties with the object of taxing incremental values of urban properties. A survey on the same lines in Bangalore and other principal cities in the State would be necessary as a pre-requisite of taxation of urban properties. The Kerala Government has recently taken up the question of levy of a tax on all new buildings (over 1,000 sq. ft.), constructed after a particular date. We recommend the adoption of a similar measure in Mysore and the levy of a tax on all new buildings constructed and completed after 1st April 1961, under a special legislation on the model of the Kerala Act. This will give an additional revenue to the State of about Rs. 40 lakhs a year.

We recommend that the rates of all fees charged under the Land Revenue Code be doubled generally, and that the existing rate of Survey and Record of Rights fee of Rs. 1.50 be raised to Rs. 3 per sub-division.

(3) *Sales Tax.*

5.44. For raising additional revenue from Sales Tax, it would be necessary first of all to reduce the exemptions given under the Sales Tax Act and to make suitable changes on the existing scheme of taxation.

5.45. Schedule V to the Act lists more than 36 exempted items. The Taxation Enquiry Commission recommended that all exemptions under the Act be removed. The most important of the exemptions relates to cereals. We came to the conclusion at an early stage of our deliberations that the exemption of cereals from Sales Tax should be removed, and that cereals should be subjected to tax at one per cent at multipoint. We made an interim recommendation to the Government accordingly, indicating that thereby an additional revenue of a crore of rupees a year may be expected to be secured. We have, in making this recommendation, duly considered its effect of foodgrain prices and the possible repurcussions of the latter on the cost of living of the poorer classes of people in the State. A tax on cereals would not affect more than 50 per cent of agricultural families in the State who grow enough foodgrains for their consumption. In the case of insufficient growers, the increase in their marginal income is sufficient to absorb the effect of the small increase in the cost of foodgrains they have to purchase to supplement the produce from their fields. In the case of agricultural labour, the relatively higher wage earned by them, part of which is paid in kind, would go to offset the increase in food expenditure to some extent. Cereals have never been exempted from Sales Tax in Madras from the very inception, and there has been no complaint in that State that the poorer sections of people have been hit hard on the score of foodgrains being taxed. In Kerala State foodgrains had been exempted from sales tax till recently, but the exemption was recently withdrawn and all sales tax of foodgrains are subjected to tax at one per cent single point with effect from this year. It is understood that the incidence of the tax fails mainly on the urban population who can afford to bear it and that the effect of this low-rated tax on prices is likely to be so slight as to be negligible. In our view the possible increase in the price of foodgrains may be only slight and cause no real hardship to any section of people in the State or be felt as a burden by the urban population who will be mainly affected by it. Any small sacrifice on the part of the people so affected has to be balanced against the paramount revenue needs of the State. The trading community and dealers would welcome also the replacement of the present licensing system for foodgrains by a small turnover tax. Foodgrains are now sold by a large number of dealers, particularly provision dealers, who find it difficult to keep separate accounts for foodgrains transactions and to furnish correct accounts of turnover and of licence fees payable. These dealers have now to pay licence fees on foodgrains turnovers separately, and also sales tax on the turnover of taxable commodities. Taxation of cereals at a low rate would avoid the difficulties which dealers in foodgrains are now experiencing. A low rated turnover tax on commodities required by all classes of people is an ideal tax, as it is easy to levy and collect, and makes the tax structure broad-based without the burden of tax pressing too heavily at any single point. We repeat the recommendation already made in this behalf to remove the exemption on cereals and to subject them to tax under Section (5)(1) of the Sales Tax Act at one per cent at multi-point. Bread may however may be included in the fifth schedule and exempted.

5.46. Salt has been exempted from sales tax on idealogical rather than fiscal grounds. Removal of this exemption and taxing of salt will bring in a sizable additional revenue without any appreciable effect on prices or cost of living. Salt tax was a political weapon which has served its purpose. A fresh approach is called for in regard to taxation of this commodity and we merely point out the scope that exists for raising additional revenue by levying a low rate of sales tax on it.

5.47. In the scheme of taxation under the Mysore Sales Tax Act, 1957, tax is leviable at the purchase point in respect of some, and at the sale point in respect of other, commodities. Some commodities are taxable at multi-point and others at a single point. The points of incidence have been chosen in each case with an eye to maximum revenue and checking of tax evasion. In the light of experience gained of the working of the Act, certain changes in the points of incidence are called for as follows :—

(1) *Sugar Cane.*—This is now taxable at the sale point under Section 5(1). If the tax is shifted to the point of last purchase, sales by agriculturists or middlemen to sugar factories, which is now exempt, will become taxable and tax can be recovered from the sugar factories. This change is imperative for the reasons firstly, that the Sugar-Cane Cess Act under which a cess was levied on supply of cane made to sugar factories has been recently held to be *ultra vires* by the Supreme Court and secondly, that sugarcane cultivation has extended and more sugar factories are coming into existence. The revenue to be realised by taxing supplies of cane to sugar factories is likely to be very considerable. As it is, about 10 lakhs tons of cane valued at Rs. 4 crores, are being purchased by sugar factories every year in the State, and this may increase to Rs. 5 crores with two more sugar factories to come into being shortly. Taxation of this turnover at 2 per cent will give an additional revenue of Rs. 10 lakhs a year. In Madras sugarcane is subjected to tax at 3 per cent at the point of last purchase. The amount of tax works out to a rupee per ton of cane, or a bag of sugar, which is not heavy. We recommend that the existing levy of tax of 2 per cent on sales at multi-point be changed to single point levy at 3 per cent at the point of last purchase.

(2) *Chillies.*—Included in the Third Schedule, chillies are taxable at 2 per cent at the point of first purchase. The main chilly-grawing area in the State is the Dharwar District. A good part of the produce is exported by commission agents for agriculturists. The revenue under existing scheme of levy at single point can be increased by making the commodity taxable at multi-point under Section 5(1). We recommend the change in the point of levy accordingly.

(3) *Timber.*—Now taxable at 3 per cent at the point of first sale (item 45 of II Schedule), tax on sales of timber is realised through the Forest Department on sales of timber coupes. There is some confusion about the apportionment between the timber portion and a fuel or wastage portion, in the coupes sold. It has been suggested that this item be removed from the II Schedule and taxed at 2 per cent at multi-point. We do not agree in this, since timber thereby becomes taxable at three or even four points and the cumulative increase in the price to the user of this necessary commodity will be very heavy. We suggest that the Forest Department be asked to so arrange the auction of coupes as to remove the difficulty in the apportionment of the timber and fuel portions, since this is the cause not only of loss of sales tax revenue but of forest revenue also. We, however, consider that timber being taxed at single point, can bear a higher rate of tax, and accordingly suggest that the existing rate of 3 per cent be raised to 4 per cent, while continuing to tax it at the point of first sale.

(4) *Raw Silk.*—Now exempted from tax, raw silk is a licensable commodity under Section 6. The only other item covered by Section 6 is 'cereals'. We have already recommended 'cereals' being taken out of the licensing scheme and made taxable under Section 5(1). We understand that the licensing scheme is not of any particular advantage to dealers or from the point of view of revenue. The licensing fees are low and the procedure in regard to its recovery is complicated and irksome. The whole of Section 6 relating to licensing may be conveniently deleted and the licensing scheme scrapped. Raw silk being a raw material for manufacture of silk yarn and fabrics, it may be made taxable, in the hands of manufacturing buyers, at the point of last purchase, the rate of tax being half per cent. The dealers will also welcome the change as they will be saved the trouble of taking out the licence and paying licence fees.

(5) *Tamarind Seeds.*—Tamarind seeds are an exportable commodity, and they go outside the State. The same may be made taxable at the last purchase point.

We recommend further that the undermentioned commodities which are now subject to tax at 2 per cent at multi-point under section 5(1), be brought under single point levy at 3 per cent at the point of first sale in the State.

(1) Oxygen, acetylene, carbonic acid and other gases.
(2) Aerated waters.
(3) Granite, slabs and stones including Shahabad Stones.
(4) Mosaic tiles and chips.
(5) Cement and asbestos sheets, handboard, playwood, etc.
(6) Heavy chemicals (Sulphuric acid, etc.).
(7) Chicory.

Suitable amendments to the Sales Tax Act have to be made for giving effect to the changes in points of taxation and rates of tax suggested above.

To remove administrative difficulties, the existing method of taxation in respect of the following two commodities has to be suitably altered. Our recommendations in this behalf are as follows:—

(1) *Pure Silk Fabrics.*—Mill made fabrics are taxable now at 9 per cent (Entry 2), while fabrics woven on power looms are taxable at 4 per cent (Entry 7). under the II Schedule. This distinction has led to the Mills claiming the benefit of the lower rate of tax on the plea that fabrics made by them are out of yarn woven on powerlooms. The term 'Mill' not being defined, difficulty arises in bringing mill-made fabrics under the former Entry. It is suggested that in place of the two entries in question, there may be a single entry at a uniform rate of 6 per cent tax on all silk fabrics with exemption for fabrics woven on handlooms.

(2) *Yarn.*—All kinds of mill yarn, excluding cotton yarn, are taxable under Entry 24 of Schedule 1 at ¾ per cent. This includes silk yarn, rayon, other art silk yarn and staple fibre yarn. All kinds of yarn, except pure silk yarn and cotton yarn covered by IV Schedule, may be taxed at 2 per cent, and the rate of ¾ per cent made applicable only to pure silk yarn.

The following changes in the V Schedule (exempted goods) are necessary, to prevent evasion of tax due to loopholes in the wording of the entries therein.

(1) Firewood and charcoal when sold for domestic use is exempted. The wording of the entry makes every

sale to be shown as sale for domestic use. We recommend that the exemption given for domestic use be removed.

(2) Under Entry 5, vegetables. (green and dried), other than potatoes and sweet potatoes, are exempted. Since the intention is to exempt vegetables because of their perishable nature, there is no reason to exempt dried Vegetables. The entry may therefore be reworded as "Fresh vegetables other than potatoes and sweet potatoes'.

The rates of taxes in respect of articles noted below are low in comparison with the corresponding rates levied in the neighbouring States. We recommend the enhancement of rates, as indicated below, against each item :—

Commodity	*Existing rate* Per cent	*Proposed rate* Per cent
Foamed rubber sheets ..	5	7
Aeroplanes, aril-coaches and spares	6	7
Cement	5	6
Chemical Fertilisers, etc. ..	1	3
Electrical goods	4	6
Fire works	6	7
Raw-wool (purchase point) ..	1	3
Cottonseeds	1	2
Cycle and cycle parts ..	4	5
Vanaspathi	5	6
Toliet articles	5	6

Proviso to Section 5(1) of the Act makes pulses, gold and silver articles, taxable at 1 per cent. The rate of taxation on these commodities may be raised to 2 per cent under Section 5(1) by deleting the proviso.

The concessions allowed under the second and third provisos to Section 5 (iii) may also be withdrawn and the said provisos deleted.

5.48. Hotel turnovers are now taxable at 2 per cent multi-point under Section 5(i). Actually there is only single-point in the case of hostels and the question of multi-point does not arise. Hotel turnovers should therefore be taxed at single point at a higher rate. In our view the rate of taxation in respect of hotel turnovers should be high for the reason that hotel business has become a very paying proposition with a large suppression of turnovers. A high rate of tax in the case of hotel turnovers is necessary to restrain expenditure on consumption in hotels by persons of even limited means. While taxes on hotel turnovers may be atleast doubled, we recommend, to start with, that the existing rate be raised from 2 per cent to 3 per cent.

5.49. The financial effect of the various changes in the scheme of levy and rates of sales tax proposed by us above, has been estimated on a rough basis. Taxation of cereals at 1 per cent multi-point above will give an additional revenue of one crore of rupees a year. Additional revenue from other items taken together, is estimated to be about Rs. 40—45 lakhs a year, inclusive of Rs. 10 lakhs from taxation of sugarcane at the last point of purchase.

5.50. We have already made a reference to commodities the sales tax on which has been replaced by Additional Excise Duty. The scheme is attractive only as making the levy and collection of tax simpler and less troublesome to dealers. But it has the following serious disadvantage, viz., (1) that the base of the State's tax-structure and its coverage are reduced, (2) that, since additional excise duties are levied on products and not on sales, taxation becomes less responsive to changes in prices and less elastic in character, and (3) that increases in basis Excise Duties are depriving the State of additional revenue due to them. The extension of this pattern will therefore diminish fiscal autonomy of States, which is already threatened in many other ways. The trading community in the State, however, favours the transfer of more commodities subject to Sales Tax to Central Excise for the levy of Additional Excise Duties, The main argument advanced is that Excise duties in lieu of Sales Tax can be levied with greater effectiveness and less cost to State and less trouble to dealers. But surrender of the State's taxation power may be justified only if it results in substantial gain in tax revenue. As we have already seen, the trend is for the revenue from this source to become static and to level off. Although, under the present formula, a percentage of the realisation, after the payment of guaranteed amounts to the States is also distributed to the States, the real advantage of higher revenue from Central Excise duties, attributable to rise in consumption of dutiable articles, is going to the Union Government rather than to the States. This is due, as we have already pointed out, to the basic rates of Excise, instead of additional Excise duties being raised. Thus the States have lost the power of taxation but gained no commensurate advantage. States could easily have realised a higher revenue, if they were free to vary the rates of tax. The trouble is that both basic and additional duties are levied on the same commodities at the Centre without a proper integration of the two levies on some common and acceptable principles. A way out of the difficulty is for the Central Government to adopt a convention by which no revision in the rates of basic Excise duty in respect of commodities on which additional Excise duties are levied, is made without previous consultation with States. Alternatively all further enhancement of Excise duties may be apportioned equally between the basic and additional duties, or the enhancement of rates up to certain limits be under additional duties only, increases beyond these limits being under basic duties. We urge that an equitable formula in this behalf be evolved after discussion and mutual agreement between the States and the Centre. Provision should also be made for revising the formula periodically, once in 5 years, by the Finance Commission.

5.51. We must not forget that the object of introducing sales tax was to make up the loss under Excise revenue on account of prohibition policy. The State having now taken a decision to introduce total prohibition, complete loss of State Excise duties, has to be made up. The State Excise revenue now stands at the level of Rs. 3 crores a year. The only practicable way, in which the permanent gap in State's finances due to loss of Excise revenue can be filled is, to correspondingly increase the revenue under Sales Tax. This is the logical consequence of total prohibition policy. Total prohibition leaves the money now taken by the Government as Excise revenue with the people themselves and increases their taxable capacity and ability to pay higher rate of Sales tax. Such 'loose' money should also be prevented, by means of taxation, from going into consumption and setting up inflationary trends. The effect of prohibition policy is discussed further on in the course of this chapter under State Excise. But it may be stated straightaway that if total prohibition is to be enforced, the resulting loss of revenue has to be made up by raising Sales tax revenue from the present level of 9¼ crores to Rs. 15 crores within the Plan period. This should be made a firm target of revenue to be kept in view by the Sales Tax Department and achieved *pari-passu* with the reduction and final disappearance of Excise revenue. Increase of Sales tax revenue to this extent can be achieved only if specific targets of assessment and realisation based on it are fixed for each Sales Tax Division, Circle and enforced strictly from year to year. In saying this we are convinced that the higher revenue tagret of Rs. 15 crores proposed by us is realistic and is entirely feasible.

(4) *Agricultural Income Tax*

5.52. Agricultural Income Tax is an item in the State List. Presumably it was put into State List, and not in the Union List because of the income being associated with agriculture which is a State subject. It could, with the accent upon income instead of agriculture, have equally been included in the Union List, where in fact it belongs, since the levy is essentially on income though its source is agriculture.

5.53. Not all States have levied agricultural income tax and there is no uniformity in the pattern of taxation in the States that have levied it. There is no reason why Agricultural Income Tax, like its counterpart the tax on business and property incomes, should not become as important and flexible a source of State revenue as the latter is of Union Revenue. There is need in fact for States to develop this source sufficiently to make good the deficiencies of the Land revenue which has begun to stagnate, and of Excise revenue which is shortly to disappear. If it has not so far developed on the lines of Union Income Tax, it is due not to any inherent defect but to the manner in which it is imposed and collected. This being a direct tax, becomes too 'visible', and the assessees who have to pay the tax are politically in too strong a position to be fully amanable to taxation. The hesitation of State Governments in extending the scope of agricultural income tax and making it an adequate source of State revenue, are due to the exemptions given, and laxity allowed in its enforcement. Among the States, Maharashtra has no Agricultural Income-tax. Andhra Pradesh which had it, has given it up. The Madras agricultural income-tax is a tax on plantation crops only. The Mysore Agricultural Income Tax Act, which is modelled on the Madras Act, covers only plantation and selected commercial crops. Only Kerala has a full-fledged scheme of Agricultural Income-tax. Among the integrated areas of Mysore, Coorg formerly taxed all agricultural income, instead of income from plantation or selected crops only. The States, which did not impose, or have abandoned, the tax on agricultural income, have had to think of levying a special assessment or surcharge on commercial crops. Thus Maharashtra is contemplating to make a special levy on certain cash crops like sugarcane, cotton, etc. Andhra Pradesh has passed an Act to levy special assessment on lands cultivated with cotton and groundnut but has suspended giving effect to it. The supercharge on Land assessment levied in Madras, has since been done away with. In Mysore too the choice was between levy of special surcharge on land assessments and introduction of the Agricultural Income Tax. The idea of surcharge was abandoned and Agricultural Income Tax Act introduced in 1954. As between a special assessment or surcharge on commercial crops, and levy of agricultural income-tax, there is no doubt that the latter is a more rational measure of taxation and surcharge can only be temporary device and no substitute for a scientific scheme of taxation like Agricultural Income-tax. Moreover, since the ultimate object in view is to evolve an integrated income-tax system, covering agricultural as well as non-agricultural incomes, surcharges or special assessments, even if levied now, have to be abandoned sooner or later. We are, therefore, unequivocally in favour of the retention of the scheme of Agricultural Income-tax, in preference to any such alternatives as special assessment or surcharges that are being considered or levied in the other States. The criticism against the Agricultural Income-tax that it " represents a mistaken policy to levy a number of taxes on the same production " is wholly misconceived, since agricultural income-tax is not a tax on agricultural production at all but on the 'surplus'. It comes in only where there is a taxable income after meeting all costs of cultivation, etc. Land assessment is not, in the strict sense of the word, a 'tax', as it contains a rent element also. The only other impost on the agriculturist is water-rate which is in the nature of a *quod pro quo* or payment made for benefit received. It is a confusion in thinking to lump all these under the term 'taxation' and to make it appear that the agriculturist is being over-taxed. In fact, in Kerala, there is in addition to a basic land tax of Rs. 2 per acre, an additional tax of another Rs. 2 per acre on holdings above 2 acres, a plantation tax at Rs. 8 per acre which applies to holdings of more than 5 acres under cocoanut also, and an agricultural income-tax. If an agriculturist has an income equal to the taxable income from business, he need not be exempted from paying a tax to which the latter is subject on the ground only that he is an agriculturist.

5.54. Perhaps nowhere in the world is income-tax dividend into two independent levies, one on agricultural and the other on non-agricultural income. In fact income is indivisible and from the fiscal point of view, the splitting up of the tax into two parts is a refinement which is contrary to the principle of ability. Neither the Union Income-tax on business and property income, nor the State income-tax on agricultural income, is complete by itself as a fiscal levy, and taxation becomes fiscally adequate and logically complete only when the two parts are integrated into a single scheme of income-tax leviable on the entire income. It is in this view that the Taxation Enquiry Commission recommended the merger of the two as the ultimate object to be kept in view and suggested accordingly that the taxable minimum and the rates of tax on the various slabs under the Agricultural Income-tax should approximate to the corresponding features of the non-Agricultural Income tax. Since the principle of integration is accepted by the State Government, we recommend that the full resources of Agricultural Income-tax should be developed, and the Act administered effectively, in the larger financial interest of the State in the long run.

5.55. Our specific recommendations for the more effective working of the Act, and augmentation of revenue from it, are briefly as follows:—

(1) Many agriculturists assessable to agricultural income-tax have non-agricultural incomes also. The

latter income should be taken into account, and the same taxed, by means of a surcharge, as recommended by the Taxation Enquiry Commission and the Mysore Finance Enquiry Committee.

(2) The existing Act makes only income from plantations and selected commercial crops taxable. Income from other crops, though yielding a good revenue to the agriculturist, has been left out of the scheme of taxation. The Act is thus fiscally inadequate and discriminatory in effect. The object of taxation is to raise revenue from income of the agriculturist generally and not from a particular class of them alone. The Mysore Finance Enquiry Committee recommended the extension of the coverage of tax to income from all crops, instead of restricting it to plantation and commercial crops only. The existing scheme has restricted the scope of taxation and given it a narrow base. Whatever might have been the justification for restricting the levy to plantation and commercial crops only at the inception of the scheme, the time has come to broaden the base of the levy by extending it to cover all income from agriculture, irrespective of the crops from which it is derived. In this view we recommend the amendment of Section 2(1)(a) of the Act by substituting for the words "any rent or revenue derived from land which are used for growing all or any of the commercial crops", the following, *viz.*, "any rent or revenue derived from land which are used for agricultural purposes."

(3) The proviso to Part I of the Schedule fixes the minimum taxable limit as Rs. 3,500 for individuals, and Rs. 7,000 for Hindu undivided families. Clause (ii) of the proviso fixes the minimum limit in terms of extent as a holding of 50 acres of 8th class of land. Thus unless both these minimum limits are exceeded, there will be no liability to tax. While monetary limits of exemption are necessary, it is confusing to bring in an extent-limit also without due relation of the latter to the form or in terms of income. It is common experience that a proportionately larger income is often realised in agriculture from the cultivation of smaller extents due to soil fertility, adoption of intensive methods of cultivation, etc. Since the extent-limits have really no relation to taxable capacity, they should be done away with, as already suggested by us:

We therefore reiterate the recommendations already made to delete the whole of Part II of the Schedule as well as Sections 66 and 67 of the Act.

(4) The existing rate of taxes in Part I of the existing Schedule are capable of increase in respect of higher incomes so as to make the rates in the higher slabs more progressive. We accordingly suggest the following enhancement of the rates of tax:—

Stage of income		*Existing rate*	*Proposed rate*
		nP.	nP.
First Rs. 1,500 of income	..	Nil	Nil
Next Rs. 3,500 of income	..	00.03	00.03
Next Rs. 5,000 of income	..	00.06	00.06
Next Rs. 5,000 of income	..	00.09	00.12
Next Rs. 5,000 of income	..	00.12	00.15
Next Rs. 5,000 of income	..	00.15	00.20
Next Rs. 10,000 of income	..	00.18	00.25
Next Rs. 15,000 of income	..	00.21	00.30
Next Rs. 50,000 of income	..	00.25	00.35
On the balance of income	..	00.40	00.40

(5) As already recommended, incomes of Companies should be taxed at the highest rate of 40 nP. per rupee.

(6) The Agricultural Income Tax Act of Kerala provides for levy of super tax, in respect of Companies on the entire income, and in respect of others on income exceeding Rs. 25,000. We have already said that the principle of progression should be introduced in the taxation of land. Since the scheme of levy of State Agricultural Income-tax has also to be approximated to that of non-Agricultural Income-tax, the levy of Super-tax on agricultural income in the State is recommended. We propose accordingly that super-tax may be levied under the State Agricultural Income Tax on the entire income of Companies, and on the income of individuals in excess of Rs. 25,000 at the stages of income and rates of tax, as detailed below:—

	nP. in the rupee *Rate*
1. On the first Rs. 25,000 of the total agricultural income	Nil
2. On the next Rs. 15,000 of the total agricultural income	00.10

		nP. in the rupee Rate
3.	On the next Rs. 15,000 of the total agricultural income	00.15
4.	On the next Rs. 15,000 of the total agricultural income .. .. ..,	00.20
5.	On the next Rs. 15,000 of the total agricultural income	00.28
6.	On the next Rs. 15,000 of the total agricultural income	00.35
7.	On the balance of the total agricultural income ..	00.40

The extension of the Act to cover the entire agricultural production recommended by us is expected to bring in additional revenue of Rs. 75 lakhs a year. This will be the first concrete step towards merging agricultural income with non-agricultural income, the principle of which has been accepted. The levy of the Super-tax proposed above is a further step in the same direction. It would however, be necessary, before actually agreeing to the integration of agricultural income with non-agricultural income for taxation under a common Act by the Union Government, to be assured of a guaranteed revenue to the State, and for this purpose it becomes important to levy the proposed surcharge on non-agricultural income of the assessee and to adopt the other measures for improving the revenue from the Act recommended above. In our estimate, additional revenue of a crore of rupees a year at least will be secured by the acceptance and implementation of our recommendations.

(5) *Entertainment Tax.*

5.56. We have remarked about the need to restrain private expenditure on non-essential items in order to increase savings and investment. Judging by the number of Cinema Houses and Cinema-goers at present, a considerable part of increased earnings of the people, even in the low-income brackets, is going into the Cinema business. While Cinema exhibitors are paying show tax at-least, Cinema distributors and Film-makers pay nothing to the State, though they must be earning fabulous incomes. Means should be devised to bring such earnings into the tax-net. Meanwhile, some restraint must be placed upon Cinema-going. An effective means of doing so is to raise existing rates of entertainment tax. This will incidentally give the Corporations and Municipalities in the State an additional revenue. The West Bengal Government has recently revised the rates of entertainment tax by 25 per cent on tickets between 20 Nayepaise and 50 Nayepaise, 50 per cent on tickets between 51 Nayepaise to one Rupee, 75 per cent on tickets between one rupee and three rupees, and cent per cent on tickets above Rupees three. We recommend a similar enhancement of the existing rates of Entertainment tax in the State.

(5) *Entertainment (Show) Tax.*

The existing rates of tax on Cinematograph shows under Section 4 of the Act are low and may be enhanced to start with, as indicated below:—

For shows held in		*Existing rate*	*Proposed rate*
		Rs.	Rs.
(i)	City of Bangalore ..	2.50	5.00
(ii)	Towns with population of 1 lakh and above ..	2.00	3.00
(iii)	Places with population between 25,000 and 1 lakh ..	1.50	2.00
(iv)	Other places ..	1.00	1.50

The revision of rates as above is expected to yield additional revenue of Rs. 3 lakhs a year.

We feel that the rates of taxation on luxuries and amusements in the State are very low and that, considering the large incomes made by cinema houses and shows, stepping up the rates of taxation on them would be both proper and necessary. The enhanced rates suggested above may therefore be regarded only as commencement of a continuous process of stepping up the rates further from time to time. We suggest three-year revision of these rates. Fees levied for the renewal of Cinematograph licenses may be doubled.

(6) *Betting Tax.*

5.57. Though the Act authorises the levy of tax up to a maximum of 25 per cent, the existing rates have been kept down at 10 per cent in respect of races in Bangalore, and 5 per cent in respect of races in Mysore. There is no reason why there should be any 'softness' in taxing items of this kind by charging less than the maximum permitted by the Act. We unhesitatingly recommend the raising of the rate of Betting and Totalisator taxes to 25 per cent in the case of races in Bangalore and 20 per cent in the case of races in Mysore. By this an additional revenue of Rs. 10 lakhs a year may be expected to be realised.

(7) *State Excise Duty*

5.58. The adoption of a total prohibition policy by the State Government will mean the extinction of the revenue of Rs. 3 crores a year now realised from State Excise duties. Excise revenue has been long known as 'tainted money'. The Excise Policy has been attacked from the inception of freedom movement as a major 'evil', and condemned as being vitiated by the objective of maximum revenue than of minimum consumption. Since the bulk of the revenue comes from "the people who are poorest economically and weakest politically", and as the incidence of tax is 'unconscionably high', it is regarded as a symbol of all that is bad and pernicious in a tax system. Partial prohibition has been in force in the State since 1947. There is difference of opinion regarding the success or failure of prohibition in the State. The generality of opinion of the people whom we met in our tour of the State is that prohibition has been more or less a failure; Prohibition has 'failed to prohibit'. We quote below some of the public views expressed, and suggestions put forth, before us, in the different parts of the State:—

> "Prohibition in its present form should be scrapped and replaced by the pattern of prohibition in Sweden".
>
> "We must go ahead with prohibition policy and enforce it effectively".
>
> "Prohibition has done some good in parts of the State, but there are a number of factors militating against its effective enforcement. Statistics of prohibition cases are no real index of the enforcement of prohibition policy. The main handicap in enforcement is the want of uniform prohibition law in the State".
>
> "Working of prohibition has not been a success .... Government should make up their minds once for all to scrap prohibition as it has led to illicit distillation and various anti-social acts".

> "Prohibition has been a failure for reasons first that illicit supplies can be easily produced anywhere to replace supplies banned by Government; second that this has provided general employment to those who were idle before; third that enforcement is impossible, because the Police cannot resist easy money offered and are now farming out the production of distillers and suppliers who pay; fourth there is no moral or demortic basis for prohibition when the rich can obtain permits on health grounds for foreign liquor, while the poor are denied the constitutional right to consume what they can afford for their health; fifthly prohibition has given a sense of adventure to drinking which attracts those who primarily regarded drinking as low; and sixthly without licensees interested in protecting their business, there is no one to check illicit liquor."

Both the Andhra Pradesh and Madhya Pradesh Prohibition Enquiry Committees characterised prohibition as a failure and recommended its abolition. But the finding of the Prohibition Enquiry Committee 1955 of the Planning Commission was that prohibition had justified itself where it was in operation. The former-named Committees which criticised Prohibition were equally critical of the Excise policy. The Andhra Pradesh Prohibition Committee recommended a new policy of individual rationing of liquor priced so low as to compete with and eliminate illicit liquor, the idea being that, in the interests of health of those addicted to drink, licit liquor may be made less expensive than illicit liquor. One other suggestion is to remove prohibition on toddy, which has a food value and is cheap enough to oust illicit liquors, and to permit consumption of liquors on medical grounds through permits. None one of these patterns have any significance for revenue. Whatever else total prohibition policy may or may not achieve, it is certain that the State Exchequer will be deprived of the present revenue of Rs. 3 crores from the four dry districts, and a calculated revenue of Rs. 15 crores for the State as a whole. Added to this, the enforcement total will entail further expenditure from General Revenues. The absence of a uniform Prohibition Act in the State is undoubtedly a handicap which should be removed. But the prohibition policy cannot hope to succeed unless a wide measure of public support for it is secured, and public enthusiasm in its enforcement is evoked. Only when boot-legging becomes an object of public disapprobation, and there is greater awareness of the danger of the consuming illicit liquor to the health of the people, may the efforts of Government in putting down illicit manufacture and trade in privately-distilled liquors become successful. It is the revenue aspect that concerns us really as a Resources Committee. Apart from ideological grounds, the obligation under the principles of directive policy embodied in the Constitution, seems to leave no option to the State but to fall in line with the All-India policy of total prohibition. We do not wish as a Resources Committee to enter into the controversy reading the success or failure of Prohibition policy in the State. Our problem is how the loss of Excise revenue is to be made up after total prohibition is brought into force. We have referred already to this aspect in the section relating to Sales-tax, and said that the revenue from sales-tax should be increased to the level of Rs. 15 crores by the end of Third Plan to offset the complete loss of Excise revenue. The effect of total prohibition resolves itself in fiscal terms therefore to replacing revenue in the present form of State Excise Duties by larger revenue under Sales-tax. Since the revenue at the rate of 3 crores per year has already been assumed as resource for the Third Plan, this resource at least should be protected during the plan period. We accordingly suggest that the further extension of prohibition may be staggered by maintaining the *status quo* in the first four years and making only a token effort in the last year of the plan.

(8) *Stamps*

5.59. The rate of stamp duty under the Stamp Act, 1957, and the Court Fees and Suits Valuation Act, 1958, are almost on the level of the rates in the neighbouring States of Madras, Andhra Pradesh and Maharashtra. In regard to Court fees, the High Court is of the view that the rates have been recently enhanced and are higher than in other States except Madras and that there is no scope therefore for raising the same further. In regard to the Taxation Enquiry Commission's view that the revenue from Court fees should cover the cost of the judiciary in States, the High Court has disagreed and quoted the following views from the Report of the Law Commission. " Only a small regular fee may be justified but the present scales of Court fees are on the whole indefensible ". " The cost of administration of justice should, like the cost of other services, fall on the tax paying public as a whole ". " The State seems to deal with the litigant in the matter of Court fees in no better manner that does the rapacious landlord with the tenant or the profiteering trader with the consumer". Summing up, the opinion of the Law Commission, is that the administration of justice is a service which the State is bound to render to its citizens, and that the charge for such administration should, broadly speaking, fall on the general tax payers, only the cost of civil justice being borne out of the fees paid by the civil litigant. We have considered all aspects of the question. Court fee is a fee paid by the litigant for services rendered by the State through the judiciary in safeguarding the proprietary and other rights, and when the cost of rendering such service goes up, as the cost of almost everything is now going up, there is every reason and justification for the State to raise the fee. It has been pointed out that the present revenue from court fees in the State completely covers the cost of civil justice, and that the cost of the criminal justice is a legitimate charge upon the funds of the State. It is difficult to apportion the expenditure incurred on the judiciary between civil and criminal justice. However, we accept the opinion of the High Court in view of recent increases in the rates of Court fees and the levy, in particular, of high rates of *ad valorem* fee in suits involving heavier amounts. Accordingly, we agree that there is no scope for raising the rate of Court fees for the present. Should, however the expenditure on the Civil justice in the State go beyond the present level, a proportionate increase in the rates of Court fees may become necessary and should be considered.

(9) *Registration*

5.60. The rates of registration fee are not uniform throughout the State, each integrated area still continuing to have different rates of fees. The Department has proposed the levy of uniform rates. We suggest that the opportunity of introducing uniform rates should be availed of to raise the rates wherever they are low. With the introduction of Photo-copying system throughout the State recommended by us, parties will be enabled to get copies of documents more quickly and the copy will be a faithful replica of the original. In view of heavy capital outlay, and increased cost of service involved, a surcharge of 5 per cent may be levied generally, over and above the existing scale of registration fees.

Considerable amount of registration revenue is being lost by documents which are compulsorily registerable not being registered. We suggest that penalties for non-registration of such documents be made stringent and that some administrative methods be devised for the detection of such cases.

(10) *Tax on Motor Vehicles*

5.61. A survey should be made immediately of the total length of roads in the State on which service buses can be operated, and if there should be any roads or routes which are operatable but on which no service is now being run, action should be taken to operate such routes, whereby additional revenue to the State and income to potential bus-operators becomes possible. The existing rates of Vehicle tax in the State are already high, and since a tax on movement of passengers and goods has also been recently introduced, we are not recommending any increase in the rates of tax on motor vehicles. We leave it for the consideration of the State Government, however, to levy a slightly higher rate of vehicle tax in the case of heavy and luxury type of cars and saloons. We are of the opinion that the small fee of Rs. 2 charged for the registration of transfers of vehicles, be raised to Rs. 5 in case of cars, and Rs. 10 in the case of trucks and lorries. A fee of Rs. 2 and of Rs. 5 is levied for the grant of temporary permits for motor vehicles and public transport vehicles, respectively. These rates are levied under the Indian Motor Vehicles Act, 1939. As the rates are low, we suggest a doubling of the rates with the concurrence of the Government of India. The rate of tax on passengers and goods in the State is only 50 per cent of the corresponding rates in force in some other States, as for example the Andhra Pradesh. We recommend the stepping up of the existing rates by 25 per cent.

II. NON-TAX REVENUE

(1) *Indian Arms Act*

5.62. The present License fees were levied long ago and have not been revised. We suggest a revision and enhancement of the scale of fees as follows :—

	Proposed rate Rs.
Gun licenses (Muzzle loader)	10
Gun licenses (Breech loader)	20
Revolvers	50

(2) *Tolls*

5.63. Tolls were regularly levied by the State as well as Local bodies up to 1st January 1958 when they were abolished, except in the case of certain bridges in the State. The levy of toll on roads is repugnant to the British road practice but is freely in use in the United States and in continental countries like Italy and France. Though we do not favour the idea of reviving tolls generally, there need be no hesitation in levying toll on roads which are constructed for the benefit of particular classes of people or for special purposes, such as the ore roads now under construction in the State to facilitate the quick and easy transport of ore from the mining area to ports. There is the specific case of construction of a road from Gadag-Koppal which will cut the distance to be traversed, from the mining area in Bellary District to Karwar port, by 68 miles. As this means a saving on cost of transport by Rs. 8-10 per ton, a levy of Rs. 30 per truck of ore, being the toll equivalent of the saving in transport cost, would not be a heavy burden on the ore industry, but would in a few years cover the cost of construction of the new road. The revenue from toll levied in such cases may be earmarked for the construction of new roads or improvement of existing ones, in the State. We see no legal or constitutional objection to the levy of a toll in such circumstances, and recommend the levy of Rs. 30 for ore truck, and Rs. 2 for other vehicles, using the new road. The same principle may be extended to other new roads or bridges constructed to serve special interests wherever the traffic can bear it. The toll levied in the past on the vehicles passing over the Krishnaraja Sagar Dam, which was abolished, may be revived, since it would be paid mainly by people who resort to the Brindavan Gardens for recreational purposes and are quite able to pay the toll. The levy is justifiable also since the cost of maintenance of the Garden is not being covered fully by the receipts. As we have already said, the idea of toll may be used as a means of attracting private enterprise for the construction of motorways or speedways in future. But Local bodies should not be permitted to levy tolls.

(3) *Forests*

5.64. The area under forest in the State is 18 per cent of the total extent, and is lower than (1) the All-India average of 22.3 per cent and (2) the optimum of 33 1/3 per cent indicated under the national forest policy. Against 20 per cent and 60 per cent of forest to total extent laid down as the National standard for the Maidan and Malnad areas respectively, the actual percentages in Mysore are stated to be 5 per cent and 43 per cent respectively. In Japan, with a much higher population density of 625 per square mile against the All-India average of 285 per square mile, the forest is understood to be 61.2 per cent of the total area of the country. Out of the already low percentage of forest area in Mysore, we are told that as much as 21,707 acres of forest land has been disafforested and released for cultivation since 1956, and that an extent of 1,13,159 acres of first class forest land has been lost due to the following reasons, *viz.*, (1) 52,720 acres, due to submersion under projects, and (2) 36,186 acres for rehabilitation persons whose lands were submerged and (3) 4,251 acres cleared for power lines. Only 5,000 acres are being reforested in a year now, against 20-30 thousand acres of forest clear-felled for supply of firewood and charcoal to the Mysore Iron and Steel Works, and forests are being denunded in other parts of the State also. Forest, unlike a mine, is capable of rehabilitation and renewal, and can become a permanent source of revenue to the State. We plead for a rational forest policy, since the proper conservation of the 8,000 square miles of green belt, that girdles the State from north to south on both sides of the Western Ghats, is vital to the future prosperity of people and revenues to the State.

The average gross revenue from a square mile of forest in Mysore is stated to be Rs. 5,338, against the All-India average of Rs. 1,541. The average revenue and expenditure per acre of forest in Mysore is, we understand, Rs. 8.34 nP. and Rs. 3.27 nP., the average net return being Rs. 5.07 nP. per acre. It is understood further that 3,60,000 acres of plantations have been raised in the State so far, and that the annual value of the same is Rs. 3 crores. Plantations over a further extent of 2,14,000 acres are proposed to be raised in the Third Plan, in addition to wood lots consisting mostly of fuel species. Impressive as these figures seem, re-afforestation is so much behind the rate of exploitation of forest in the State that we foresee a serious depletion of forest resources in the near future. We stress this aspect of the matter for the reason that with rapid industrialisation there will be heavier demand for forest products. If this demand is to be met, the rate of afforestation to replace the forest cut down, has to be stepped up much higher than the annual plantation rate of 40,000 acres a year according to official figures. It is necessary that the forest area lost, or to be lost by submersion under projects, is replaced. It has been suggested that a part of the ayacuts of newly-constructed irrigational projects be set apart as forest land as compensation for the forest submerged. In agreeing with this, we suggest that, as a matter of policy, a certain percentage of the ayacut of each newly-irrigated projects be set apart as forest land and allotted to the Forest Department in proportion to the extent of forest submerged. We understand that there is a healthy practice in the Kadmane Estate, Ltd., (a private plantation in Manjarabad Taluk, Hassan District) of a tree being required to be planted for every tree felled. We should like this example to be followed, and made a condition of permits granted by the Department for cutting and removing timber in the State and District forests. We have referred to the waste lands and barren areas in the State of which a good part is fit to be afforested to extend the vegitative cover. The Department should, we feel, take this matter seriously and plan out the re-afforestation of barren areas according to a programme of artificial regeneration, in consultation with the Revenue Department. Village Panchayats and Taluka Boards should be brought into the forest picture and associated closely with the sylvicultural and afforestation activities, particularly in the dry regions of the State.

The fuel problem in the State has become very acute, and raising of fuel plantations on a considerably larger scale than at present is called for. There is also scope in this field for private enterprise, which may be encouraged to take up to plantation as an industry, by the offer of attractive terms in the way of long-term leases and of other forms of assistance. In our view a target of plantation of one lakh of acres a year may not prove beyond the capacity of the Department to take up and achieve and should be adopted.

We have already hinted at the constitution of a Commercial Wing in the Department. We are not satisfied either with the way the resources of the forest are being utilised or the size of the forest revenue now realised. The main source of loss of forest revenue is smuggling. It is a big hole in the State forest revenue. We see, from the Departmental statistics of cases of smuggling detected, that 11,768 and 9,385 cases were booked in 1957-58 and 1958-59 respectively, and that the value of smuggled timber and sandalwood was Rs. 1,06,654 and Rs. 4,56,536 respectively in these years. Since the number of cases detected forms but a small proportion of those that go undetected, the extent of smuggling of forest products that is going on must indeed be enormous. Our estimate is that the State is losing at least Rs. 2-3 crores of revenue due to smuggling. We understand that smuggling of sandalwood has assumed serious proportions, due to increase in the value of sandalwood to something like Rs. 8,000 a ton at present. Even a head-load of it fetches Rs. 400 to Rs. 500. On the official estimate the quantity of sandalwood oil produced by privately-run stills outside the State is now about 50 per cent of the quantity produced in the State Sandalwood Oil factory. But as the quantity of sandalwood found outside the State is inconsiderable, it is obvious that private distillers are using for the most part of wood that is smuggled out of the State forests. Not only the State's sandalwood oil factories are handicapped for lack of wood but they have to face competition from private distillers who use wood smuggled from the State. This is adding insult to injury. Sandalwood smuggling has indeed become a racket with perhaps a background of powerful vested interests. If the State revenue is to be safeguarded, effective action to check and prevent large-scale smuggling of sandalwood and teak also should be taken. Isolated attempts at catching smugglers hardly touches the fringe of the problem. What is needed is good intelligence and effective action to trace out and tackle racketeers who operate from behind the scene. Since sandalwood smuggling seems to be very much of an organised affair, organised efforts are required to checkmate the moves on the other side. Blocking and guarding all well-recognised and feasible entrances and exits from the State forests on the borders may be considered. Since smugglers operate mostly at night, vigilance parties with the co-operation of local people and the Police may be organised for patrolling along the State frontiers where smuggling is most likely to take place. Smugglers generally leave traces behind and the use of trained dogs may be considered, as they can also accompany patrol parties by night. Perhaps the most effective anti-smuggling strategy is Inter-State co-operation. The State should seek the help of the neighbouring States of Madras and Kerala in checking smuggling and bringing to book smugglers who operate from bases in those States. In particular the activities of Sandalwood distillers in Madras State require to be closely watched; as they are the potential cause of smuggling, and the beneficiaries from it.

The revenue of Rs. 8 per acre of forest in Mysore is low, as compared to the revenue of Rs. 13 per acre in Kerala State. The anticipated gross revenue of Rs. 8 crores a year can, we consider, be easily raised to Rs. 12 crores, considering that the State is blessed with 12,000 square miles of first class forest. This is a firm target which the Department should set for itself and achieve in the Third Plan. But we were sorry to see that there was not even a regular or complete survey of the forest resources in the State. It is true that the major part of the forest area in the State is concentrated mainly in North and South Kanara District, Coorg and parts of Shimoga, Chikmagalur, Hassan and that the remunerative forests are confined to only 4 out of 19 Districts in the State. The situation of forests, mostly along the Western Ghats, has created an imbalance between resources and needs for meeting the general and industrial needs. Mysore has a rich forest potential with a variety of species, including teak and other first class timbers, softwoods, sandalwood and bamboos. Teak accounts for 20 per cent of total timber production. 80 per cent timber resources being of softwood species, the utilisation of softwood is by far the most important problem. Softwoods are bound to figure more prominently in future industrial development with the advance of research and improved techniques of utilisation in rayon and such other industries. From the State point of view, more revenue is to be expected from softwood, both because they form 80 per cent of the forest wealth, and also because softwoods can be raised in 20 years while hardwoods take more than 60 years to be raised. Mysore is eminently suited for the production of softwoods in its forests. We cannot accept the statement of the Chief Conservator of Forests that the revenue now realised from hard and soft woods is adequate. So far as bamboo is concerned, even the Departmental view is that adequate revenue is not being realised. We will have more to say regarding bamboos later. In the case of teak, standardisation of schedule rates effected after State Reorganisation is stated to have resulted in a substantial increase in revenue but the extent of such increase could not be ascertained. The schedule rates vary from Rs. 18 to Rs. 26, but they seem in our view to require periodical revision with the increasing demand for teak and rising market price for it from year to year. In regard to the supply of sleepers to the Railway Department, we understand that the rates are not quite favourable to the State and that rejections by the Railway Board are large. We are indeed surprised that in the transactions between the State Government, and the Railways, which is a Department of Union Government, the State Government is being dealt with as if it were a petty supplies of materials, although this is a Government-to-Government transaction. We suggest that a Corporation be set up with the State and Railways as partners for processing timber into sleepers economically and to the least advantage of both. Mysore being in a position to meet the entire sleeper demand of the Railways, it is astonishing that the Central Government should be importing timber from Burma. We make a strong plea that the Central Government be moved to ban the import of timber from outside as long as the internal forest resources in the country are sufficient to meet all the requirements. The sleeper industry is not the only one that should be developed for augmenting State revenues. The Forest Department should earnestly take up the scheme of starting a small Craft Timber Yard on the coast, and of seasoning kilns at strategic places in the State. At present the Department is working 3 saw mills with 2 privately-owned saw mills doing work for it. With the vast wood and other forest resources at its disposal the Department should begin to think in terms of promoting new forest industries and development of cottage and rural industries using forest products all over the State. Either the Department may itself take up and run the industries, or it may do so in collaboration with the Industries Department. We are given to understand that past experience of starting forest industries, as in the case of Lac industry, is not very encouraging. As to the possibility of the Department starting an industry like furniture-making to meet at least the needs of Government Departments, we are informed that there are two furniture-making concerns now at Murkal and at Tumkur and that there are practical difficulties in meeting the entire requirements of furniture for Government Departments. These stray concerns are insignificant considering the scope that exists for the development of forest industries in the State. The Central Workshop at Tumkur is run as wood depot for the manufacture and supply of furniture requirements like benches, stools and blackboards to the educational institutions in the region. But the object with which the Depot was started is not fulfilled, since the machinery ordered and got for it was later shifted to Shimoga. The working of the Depot is greatly handicapped and its usefulness much reduced for want of supply of wood from Shimoga. If transport is the bottleneck, timber may be arranged to be got by road in trucks, in addition to transport by rail. This strategically-situated forest concern can be developed into a first class workshop and furniture-making industry for meeting the heavy and increasing demand for furniture of Government Departments as well as of the public. A few saw mills and furniture making concerns do not, in our view, make up what we have in our mind as development of forest industries. The reaction of the Department is that all that it can do is to make timber and other forest resources available and that the actual work of development of industries was the concern of the Industries Department or of the private section. This negative approach to the problem is indeed disappointing. We visualise the scientific utilisation and business-like management of the State's ample and varied forest resources for which obviously departmental methods and procedures are unsuitable and inadequate. The Commercial Wing of the Department, the constitution of which we have suggested, should take over the entire work relating to development of forest industries and promotion of small scale and rural industries in the State, alongwith the management of the sandalwood oil factory. Distillation of sandalwod oil is an industry which from its inception has been in the Industries Department. In our opinion, however, it should be treated really as a forest industry and transferred to the Forest Department in the interests of its better management and profiable working. The economics of this industry are dependent mainly on the regular supply and proper quality of wood by the Forest Department. The division of responsibility for supply of wood and distillation of oil is one of the factors which is impeding the efficient running of the sandalwood factories. Cost of wood is the major part of cost of manufacture, and the industry has a chance of working better if it is run under the Department which supplies the essential raw material, *viz.*, sandalwood. Proper valuation of sandalwod supplied by the Department has been a difficulty which can be avoided also, if the concern is worked as a forest industry. The entire receipts from the industry will then become the revenue of the Forest Department, and the latter being held responsible for its efficient working and financial return, is likely to see to the regular supply of proper quality of sandalwood. For purposes of accounting, the manufacturing and merchanting profits may be booked separately, if so advised. The Commercial Wing of the Department may also take up the seasoning of wood in kilns and disposal of seasoned wood in the interests of realisation of higher revenue. Cocoa is a valuable dollar-earner, which we understand can be successfully grown in Mysore, in view of favourable climate, and soil conditions. Cocoa seeds may, we suggest, be got from West Africa, and Cocoa plantations raised by the Department wherever conditions are favourable.

Forest revenue is also affected adversely by two or three different proceedings now followed in the disposal of forest production in the different areas of the State. Under one of the procedures the Department marks the trees according to working plans and specifications, and after preparing a list of the estimated quality of wood in each area, tenders are called for and the highest tender is accepted. In the old Mysore area, however, everything left over after logging is sold as firewood at Rs. 1.80 to Rs. 2 per cart load. The latter practice is resulting in considerable loss of forest revenue and is leading to malpractices also. We would emphasise the need to tighten up the procedure as to the disposal of timber and to introduce a uniform procedure in the State in this behalf without delay.

In the absence of a proper definition of the term ' firewood ', timber of higher value is allowed to pass as firewood. This is resulting in considerable loss of forest revenue and should be set right by a proper classification of different kinds of timber and disposal of each according to market value. The term ' firewood ', and also reserved species, should be clearly defined in the Forest Code, without reference to girth only, so as to prevent misclassification and removal of timber in the name of firewood.

The seigniorage rate in old Mysore area was as low as four annas per cart load. It is officially learnt that a uniform rate of Rupee one per cart-load has been introduced recently. We, however, suggest an enhancement of the rate to Rs. 1.25 nP. per cart load, in view of further rise in prices. Further we recommend that timber and seigniorage rates should be revised periodically once in three years at least to keep abstract of rapid change in demand and market prices. We have already suggested that the seigniorage rates on firewood and charcoal supplied to the Mysore Iron and Steel Works should be raised. This suggestion should be implemented without delay, as the concern has been registered as a Corporation and no further concession in the supply rates is due.

The system of issuing permits for forest produce through license vendors, prevailing in the old Mysore area, is stated to be affording scope for leakage of revenue. Similarly the system of selling timber and firewood through agents is ascertained to be affecting forest revenue adversely. These procedures are proposed to be changed gradually. But we feel that, if the procedures are defective and leading to leakage of revenue, they should be changed at once. We also advise that all the existing agreements of the Departments with licensees be reviewed and revised wherever necessary. In the case of agreements for removal of forest products, the contractors should be required to remove lops and tops also, for which a suitable additional rate may be charged and included in the agreement.

We have already noted that the present revenue from bamboo in State forests is not adequate. Although the State has considerable bamboo resources, they are not, in our opinion, being fully or profitably exploited and utilised. While we suggest that bamboo resources should be more largely exploited and used for the industrial development of the State, we are not satisfied with the terms and conditions of supply of bamboo by the Department to some of the existing industrial concerns in the State. We see from a statement made at a recent All-India Forest Conference held at Bangalore that bamboo is supplied to the West Coast Paper Mills, Dandeli, at the rate of Rs. 3.2 per ton, while the ruling market rate is over three times this rate. This unduly low rate is, however, a legacy under the State Reorganisation. Under the agreement previously entered into with this firm, however, a further right is understood to have been created for the continuance of this concessional rate even beyond the present period of the agreement. While these concessions are unduly liberal, we see no reason (1) to allow the firm to enjoy further concessions not provided for in the agreement, such as putting up of sheds for casual labour, or (2) to countenance the infringement of the agreement on the part of the firm in not providing themselves with weighbridges before removing bamboo from the forests. It is feared that there is heavy loss of revenue on account of this. The firm is also ascertained to be using large quantities of water which is being supplied without either being measured or charged for. The firm was allotted additional forest area last year as compensation for the stock of bamboo destroyed by fire at the mills. Since under the agreement the firm is charged on the basis of pulp prepared, instead of bamboo supplied, we see no justification for the allotment of additional area of forest to the firm. Whether a further charge is made for the additional area allotted is not known. In any case the agreement is adverse to the interests of the State as the supply is charged not on the quantity of bamboo removed but of pulp prepared. On the whole neither the terms of the agreement with the firm, nor the manner in which the agreement is being worked, can be regarded as satisfactory. We feel that a proper enquiry is called for to set right the defects and deficiencies in the agreement with the firm on account of which needless loss of revenue to the State has been made possible. We also suggest an examination of the agreement entered into with the Mysore Paper Mills, Bhadravati. Our general recommendations in this behalf are :—

(1) that, pending the enquiry suggested above, a surcharge equal to the difference between the agreed rate and market rate be levied as a surcharge, and

(2) that in future a standard form of agreement for supply of bamboo and forest materials to industrial concerns and private firms be evolved in the best interests of the State and that the rates of supply be revised once every 3 years by a high-powered Official Committee.

Of the several areas in the new State, grazing fees in State Forests were being levied only in the Ex-Madras and Hyderabad areas. Even these fees were abolished in 1959. Apart from loss of revenue, the removal of grazing fee has resulted in uncontrolled incidence of grazing in the forest and consequent adverse effect on the state of the forests. The rate of fee being so low as to be almost nominal, no hardship is involved by the revival of the same, while better control over grazing in the forests will be possible. The revival of the grazing fee in State Forests, which was previously in force, is recommended to afford better protection to the forests in the State.

(4) *Mining and Geology*

5.65. The State is uniquely blessed with deposits of a variety of minerals, *viz.*, iron, manganese, chrome, bauxite, china clay, graphite, gold, fuller's earth, etc. A survey of minerals has been carried out, but there is a lot yet to be done on the utilisation side for which the Board of Mineral Development has been set up. Good progress has been made in the Second Plan on the investigation of pyrites and iron ore in the Western Ghat and Coastal regions. Eight schemes have been formulated under the Third Plan for (1) the investigation of fuller's earth, (2) examination of beach sands for fissionable materials, (3) assessment of lime deposits in the Bijapur, Belgaum and Gulbarga areas. Our enquiries bring out the following promising lines of development, viz., (1) prospecting for gold in Shimoga District and in Shorapur Taluka of Gulbarga District, (2) beneficiation of the low grade manganese ore found in the State, (3) utilisation of fuller's earth in the Chincholi Taluka, and of limestone in the Sedam Taluka of Gulbarga District. We suggest further that the possibility of re-opening Bellara Gold Mines should be examined afresh. 200 miles of sea coast in the State is an open invitation and opportunity to explore the possibility of manufacturing salt which the Department should take up earnestly.

The revenue from the Department is obtained mainly from royalty and also under other items, *viz.*, (1) application fees for grant or renewal of certificate of approval, prospecting licenses, mining leases, quarrying leases, etc., (2) surface rent and cesses, (3) dead rent on the area of holding to ensure minimum income under royalty and (4) sale proceeds of minerals produced during prospecting operations or mining operations by Government agencies. The revision of rates of royalty and of fees under item (1) rests with the Central Government, as they are to be fixed by the Parliament under the Mines and Minerals Act,

1957. The rates of royalty are fixed as a percentage of the sale value and are subject to a minimum in each case. We are of the opinion that the existing rates of royalty in respect of iron, manganese and chrome ores, in which a profitable export business has developed and of gold, may be increased with the concurrence of the Central Government. In the alternative the levy of a surcharge of 12½ per cent on the rates of royalty is suggested for augmenting revenues during the plan period.

Profits from export of iron ore, etc., by the Mining Development Board are shared with the State Trading Corporation. The relative shares of the Board and the Corporation in the profits have to be equitably determined. In our opinion, the Board, which is promoting the export and handling it, should receive the major part of the profits and not 50 per cent of the same only. We feel that the question should be taken up at the Government level with the Trading Corporation for the allocation of at least 80 per cent of the profits to the Board.

An important source of revenue to the State is the royalty levied on what are called ' minor minerals '. The term includes ' building stone, boulder gravel, lime shell, kankar, murram, limestone, brick earth, fullers earth, bentonite clay, sand, road metal, road mutti, shell, and slate when used for building purposes '. With a big programme of construction of large number of houses and buildings, private as well as public, construction of large irrigation dams, embankments, roads, etc., under the plan, and increased manufacture of refined activated earths, etc., in prospect, minor minerals used in construction will be required in much larger quantities than now. The royalty on minor minerals will thus form an important source of revenue to the State. There is no uniform system of procedure in the State for the administration of minor minerals, or for the recovery of royalty thereon, in the different parts of the State. We tried to get the data regarding the royalty levied and collected in the different parts of the State, but the particulars obtained are neither complete nor up-to-date. The revenue to accrue to the State from the minor minerals used for the construction and other purposes is estimated at not less than Rs. 30-40 lakhs a year. We are not sure if this revenue is being recovered now. It is probable that there is considerable leakage due to lack of uniformity and laxity in administration. Further the rates of royalty differ from one area of the State to the other. Since the prices of stones, bricks, and sand used in constructions are soaring, it would be in the fitness of things to raise the rates, in keeping with the prevailing price levels and the need to make them uniform throughout the State. The Department has suggested certain uniform rates of levy in the draft rules submitted to Government. In our opinion these rates require upward revision. We are of the opinion that revenue of Rs. 50 lakhs a year can be realised from this source by the levy and proper collection of royalty at enhanced rates as seen from the following calculation :—

Items	In lakh of rupees
1. Royalty at Rs. 100 per house in the average on 15,000 houses to be put up in a year with a floor space of 10 squares	15.00
2. Royalty of Rs. 120 per mensem per building in the average on 500 public buildings of 5 to 20 squares	0.60
3. Royalty at Rs. 1,000 per building in the average on 500 larger public buildings of 100 squares ..	2.00
4. Royalty at Rs. 7.50 per square on 200 factories, Industrial Estates and Workshops of 100 squares	15.00
5. Royalty on road metal including boulders on 300 miles of new roads	1.50
6. Royalty on repairs of 500 miles of roads ..	1.50
7. Royalty at 1 per cent on materials cost of major and minor irrigation, irrigation and hydro-electric works	10.00
8. Royalty on clays in the manufacture of tiles, pottery, etc.	1.40
9. Royalty on export of building materials—Shahabad stones	3.00
Total ..	50.00

In order to realise the full amount of revenue from these sources, the administration of minor minerals and the responsibility for the collection of royalty, watching the recovery, etc., should vest in a single Department of Government. We recommend that the Department of Mines, Geology be entrusted with the work, with instructions to the P.W. and Revenue, Forest and other Departments of Government, as well as to the Municipalities and other Local Bodies, to deduct the royalty prescribed from the bills of the contractors and to send statements of such deductions to the Director of Mines and Geology.

(5) *Government Insurance.*

5.56. Though insurance has been made compulsory for all Government employees in the integrated areas of the State, there is the possibility that some of the employees have not yet insured themselves. It would be useful to get a certificate from each Head of the Department after necessary verification to see that there is no evasion of the rule. The Department has taken up Motor Insurance. But the proposal to extend the activities of the Department to Fire Insurance has not materialised so far for want of concurrence by the Central Government. There is good scope for expansion in the Fire Insurance line. Whatever the difficulty might have been in obtaining the certificates of Registration from the Controller of Insurance, Government of India in the past, the same is now removed after the State Reorganisation. There can be no objection to the State Insurance Department taking up Fire Insurance in respect of Government Industrial concerns at least. It is understood that assets valued at Rs. 20 crores are insured every year, yielding a premium of Rs. 5 lakhs. This does not include the assets in which the State Industrial Financing Corporation is interested. After retaining a proportion of 20 per cent of the sum assured of each risk or Rs. 2 lakhs, whichever is less, the balance may be re-insured, and the business distributed among various Insurance Companies on which the Department can get 40 per cent commission on premium. Government will by this means be assured of a substantial premium income. Also by re-insurance of risks, in keeping with the practice everywhere in the world, the expenditure load on account of fire risk would be reduced. Several Departments of Government are indenting for goods on the Stores Purchase Committee or purchasing them directly, to the tune of Rs. 6 crores, and the purchase price includes transit charges and an element of insurance in each case. This insurance premium could be taken by the Department. With the formation of the new Mysore State, certain items of General Insurance business relating to the Bombay-Karnatak area has come over to the Insurance Department. It has been suggested to us that this pattern of General Insurance may be extended throughout the State. A proposal for starting General Insurance Fund has also been sent up by the Department to the Government. The Department can under these proposals save the margin between premium claims and expenses and the cost of insurance may also be included in the expenses of Government Industrial concerns. In view of these advantages we support the proposal and suggest the approval of Government being accorded thereto early. We are strongly in favour of the proposal to nationalise the Act liability under the Motor Vehicles Act. The Kerala Government has nationalised the Act liability under the motor insurance through an amendment of the Motor Vehicles Act adopted by the Parliament. We understand that a large amount of motor insurance premia relating to Act liability now accrues to private insurers, and that if the Act liability is nationalised, the entire amount will come to the State without any expense on publicity or commission to agents. A premium income of Rs. 20-25 lakhs may be expected to be secured thereby. This may, if so decided, be utilised to reduce the premium on the Department's motor insurance policies and make the policies cheaper than those of private insurers. We understand that the Andhra Pradesh Government is contemplating to nationalise the Act liability of motor insurance. We suggest that the question be taken up with the Central Government for the necessary amendment of the Central Act to enable the Act liability being nationalised in Mysore, as has been done in Kerala. If there is no bar to the Insurance Department taking up aviation insurance, we suggest that the premia paid by the Government on behalf of officers who perform journeys by air, which is now going to private insurers, be paid to the Insurance Department. It is understood that in Kerala aviation insurance work is taken up without extra staff or cost. The officers before undertaking air journeys have merely to intimate the State Insurance Officer through a declaration and they get automatic cover for the journeys. In order to expand the Departmental activity further and to widen the scope of its utility to the rural population in the State, we commend for consideration, the possibility of the Department taking up Crop Insurance. We make no specific recommendation, however, in the absence of data regarding risks and other factors involved in the insurance of agricultural produce.

(6) *Other Items*

5.57. *General.*—There are several other measures for augmenting the State revenues. The more important of these together with recommendations are given below :—

(1) *Reorganisation of the Government Stud Farm at Kunigal.*—A scheme has been put up for improving 50 brood mares from U.S. or U.K. and for boarding 30 mares belonging to private owners on the Farm. It is expected that with the proposed investment of Rs. 7.85 lakhs and a recurring expenditure of Rs. 2.45 lakhs a year, there will be an assured gross income of Rs. 4.15 lakhs, or a net income of Rs. 1.70 lakhs per annum, *i.e.,* a return of 21 per cent on capital. The Stud Farm is a unique institution and deserves to be made into a model breeding station of all-India importance by being reorganised on the lines proposed. We accordingly support the scheme and suggest early implementation of the same.

(2) *Boiler Fees.*—The existing rates of boiler fees are lower than those in Madras and may be stepped up to the level of the latter.

(3) *Commodity Cess.*—The Agricultural Department has taken up research schemes in respect of different commodities like cocoanut, arecanut, cardamom, pepper, etc. The Coffee Board has levied a cess to cover the cost of research. Since the results of research will benefit those who raise the respective commodities, the levy of a cess to cover the cost of research schemes is a fair change on them. Since the general revenue need not be burdened with expenditure incurred for the benefit of particular classes of people, we recommend the levy of commodity cesses on the lines of the cess levied by the Coffee Board.

(4) *Fee under Shop Assistants Act.*—The Department has already proposed the levy of a fee under the Act and the Bill in this behalf is understood to be before the Legislature. The proposed fee is expected to yield additional revenue of Rs. 3-4 lakhs a year. The levy of the fee may be expedited.

(5) *Factories Licensing Fees.*—The present rate of fee may be doubled, which will give additional revenue of Rs. 1-2 lakhs a year.

(6) *Audit Fees.*—Audit fees are being levied from the Municipalities. While the Village Panchayat and Taluk

Boards Act authorises the recovery of audit charges from Taluk Board, it is silent about its recovery from Village Panchayats. We suggest the levy of a small fee at 1-1/8th of transactions of Village Panchayat, including revenue as well as expenditure. As a general principle, we suggest that all institutions, including local bodies, with statutory income but which are not wholly financed by Government, should be liable to pay audit fees. In the case of Municipalities we propose an enhancement of the present rates of audit fees by 25 per cent immediate, which may be raised to 50 per cent in due course. The same remarks apply to audit fees chargeable to the co-operative societies.

(7) *Contributions from Religious and Charitable Institutions.*—The rate of contribution varies from one region of the State to the other. It is 2 per cent in the Belgaum Division, 3 per cent in South Kanara District, 5 per cent in the Gulbarga Division and 5-8 per cent in the old Mysore area. A uniform rate of 8 per cent has, we learn, been proposed by the Department to be levied throughout the State. The uniform rate is expected to step up the existing revenue of Rs. 2 lakhs to about Rs. 5-8 lakhs a year. Since resources of several Religious and Charitable institutions have appreciated with the rise in land and property values, they are in a position to pay a higher rate of contribution. Accordingly we recommend that the rate of 8 per cent proposed by the Department may apply to minor institutions and the rate may be raised to 10 per cent in the case of major institutions.

(8) *College and School Fees.*—The rates of school and college fees in the Department of Education, Technical Education and in the Government Colleges are comparatively lower than in the neighbouring States. The Government expenditure on staff and other items in these departments having increased significantly in recent years, there is no reason why the rates of fee should not be raised proportionately. There is greater justification for raising the fees, because of extending the concessions of free education up to secondary standard and of liberalising free studentship concessions. The least that the Departments concerned should do is to bring up the existing admission, tuition and quarterly, examination and library fees on a par with the rates of fees in the corresponding grades of education, say, in Madras.

(9) *Water Supply rates.*—The existing rates for supply of water to the Bangalore Corporation, Mysore City Municipality, K.G.F. were fixed long ago, and are low in comparison with present costs of maintenance. Receipts from water supply should, on principle, cover the cost of maintenance and supply of water in each case. We suggest that wherever it is less than this, the rates should be raised. The rates charged in respect of new water supply scheme, such as those of Belgaum, Hubli, etc., should cover at least the cost of maintenance and interest charges. In the case of Binny and Maharaja Mills at Bangalore and such other industrial concerns to which water is being supplied under agreements, the rates may be so raised on the expiry of existing agreements as to cover fully the cost of maintenance and interest on capital. Pending such revision of rates, a surcharge may be levied at a suitable rate on a tentative basis.

(10) *Rent on official residences.*—The existing rate is 10 per cent of pay or 7 per cent on capital cost. Compared to the rent prevailing for buildings all over the State particularly in Cities, the official rate of rent is unduly low. The capital cost of buildings constructed several decades ago now represents a fraction of their appreciated value. The difference in the rent paid for official residences and that for private houses taken on rent by officials, is too marked to allow the existing rates of rent for the former to continue. We recommend that the rent for residential quarters of officials be enhanced to 12½ per cent of pay or 8 per cent of capital cost, whichever is lower.

(11) *Rent for occupation of Travellers' Bungalows.*—Compared to rents charged for accommodation in hotels, the rent paid by travellers occupying Travellers' Bungalows, is very low and we recommend that the same be suitably raised. Rent for unfurnished accommodation may be raised by 50 per cent of existing rates and that for furnished accommodation doubled with a minimum rate of rupee one and rupees two respectively. We see no reason to provide rent-free accommodation to Government servants as they are given travelling allowance. We suggest that Government employees who occupy Travellers' Bungalows on official tours be charged half the rates charged to travellers. This recommendation holds for all Dak Bungalows and Inspection Lodges and Rest

Houses maintained by the P.W. and Forest Departments also.

(12) *Hospital charges.*—The corollary to extension of free medical assistance to persons in low income groups is the raising of hospital charges in respect of these in the higher income brackets whose ability to pay has increased. There is at present some difficulty in ascertaining the real income of patients liable to pay hospital charges. The appointment of a Revenue Officer for each of the big hospitals in the State is suggested for checking up on the statements of income given by patients and recovery of the proper rates. We suggest further that the rates for the occupation of special wards in all hospitals in the State above Rs. 5 per day, may be raised by 50 per cent.

(13) *Fisheries.*—Out of more than 5,000 major tanks in the State, annual auction of fishing rights are being held in respect of only about 350 tanks. Even the survey of tanks is still at a very initial stage. This is a source of revenue which should be developed rapidly in the interests of State revenue. About 6,000 fishing licences are now issued from which an income of Rs. 40,000 is being realised. The number of licences and the income are both capable of being doubled. We suggest further that the fee for fishing licences be increased by 50 per cent. We understand that about 1 1/3 lakhs of ponds of fish are being caught departmentally in a year in inland waters and the sea. Against this, the realisation by the sale of fish is stated to be only Rs. 28,000. The realisation from these sales is very low. We feel that there is leakage of revenue, and suggest that a procedure for the proper accountal of the receipts and disposal of fish caught departmentally should be prescribed and enforced.

About 3 lakhs of ponds of prawns, specially prized as a delicacy, are now exported from Mangalore to the United States, and are estimated to be bringing 10 lakhs of dollars in foreign exchange. The formation of an Indo-American Company with collaboration of an American Firm, has been proposed for developing the business, but nothing has happened so far. We suggest prompt action being taken to implement the proposed scheme.

(14) *Government Industrial Concerns.*

None of the Government Industrial Concerns, except the Kolar Gold Mining Undertakings, are having the Cost Accounting System. The present system of arriving at cost of production is admittedly unscientific and does not afford a reliable basis for a rational pricing policy. The absence of a pricing policy is one of the factors adversely affecting the net earnings from industrial concerns which are now facing competition from better-managed and more efficiently-run industries in the private sector. We strongly urge the need for introducing Cost Accounting system, and establishing a Cost Accounts Service, for the several Government industrial concerns, the required training for the staff being arranged to be given by the Cost Accounting Officer at K.G.F. It is seen further that overhead charges, which must be included in the prices of products of State Industrial Concerns, have not been revised with reference to increased cost of administration from a long time. The question is stated to be still under consideration. Meanwhile, the products are being undercharged to this extent and sold at less than the economic price. Immediate action is called for to revise the overhead charges in respect of all the concerns.

Of the eight major industrial concerns under the management of the Industries Department, only two, *viz.*, the Soap Factory and the Electric Factory, are giving a fair return. The Government Porcelain Factory, which was working at a heavy loss, is stated to have turned the corner. The return from the Sandalwood Oil Factories is low and disappointing, considering that it is a monopoly concern. The transfer of this concern from the Industries, to the Forest Department, which we have suggested, may be expected to result in better performance and higher return. The Central Workshop at Mercara is too tiny and uneconomical a unit to be kept on. There is a proposal to add an insular mill to the workshop to save it from being closed down. The proposal should be negatived and the workshop wound up, transferring the machinery, etc., to the Central Workshop at Bangalore. The Central Industrial Workshop is another lame-duck. It may with advantage be placed under the Public Works Department and expanded as the repair and reconditioning centre for project vehicles and equipments. Further it may become the Servicing Workshop for all Government vehicles, jeeps, etc., which are now being serviced at very high cost in private workshops. If this concern cannot be expanded and utilised for meeting the requirements of Government Departments as suggested, it would be better to close it down or to hand it over to private enterprise. The question in regard to the Government Silk Factory at Mysore is to mend or end it. The transfer of this factory to private management should be seriously considered, if it cannot be modernised and run efficiently and profitably. The most important State industrial venture of magnitude is the nationalised Kolar Gold Mining undertakings. At one stage, the concern was to have been taken over by the Central Government. The proposal has not materialised so far. In our opinion the industry is being managed efficiently, so far as physical productivity is concerned. It is also giving a net return after payment of royalty and meeting interest charges. But the working costs are high. Although ore extraction has increased, from the level of about 20,000 tons per day at the time of nationalisation, to the level of 28,000 at present, inspite of two mines having been closed down, the average yield has come down to about 5 pennyworth (½ a tola) per ton, due to working of low grade ore. While the industry has been saved from being closed down, and the life of the mines has been prolonged for another 40 years at least, by the discovery of the West Reef, the undertaking has for this very reason to operate at rather a low level of productivity and financial return. It is therefore necessary to devise means of utilising the by-products of the industry, such as rockslime and to consider the revival of ancillary industries like brick-making, etc. We understand that the sale of cyanide dust for use in fertiliser industry was negotiated with a private company at Bangalore. This question should be persued and failing in this, the possibility of setting up fertiliser industry at the K.G.F. for the economic utilisation of the vast quantities of cyanide dust available there should be investigated. Although we were informed that the idea of making bricks out of the dust was considered and given up on account of prohibitive cost of transport, we would like the proposition to be examined afresh by the Board of Mineral Development, if only with a view to establish a basic utilisation industry on the Fields, to supplement the income from the main undertaking and as a means of solving the unemployment problem. The working of the entire undertaking should in our opinion be got examined by experts in gold mining from abroad, such as South Africa and the U.S.S.R., with a view to the adoption of modern technics and use of latest devices in working low grade ores and utilisation of by-products, in place of the existing obsolete methods and practices which are being continued. The K.G.F. offers many facilities for starting new industries which should, we feel, be utilised to build up the industrial potential of the State and in the dispersal of industry which is tending to become unduly concentrated in and around Bangalore.

(15) *Sericulture*

The Government Silk Filatures have been continuously working at a loss. Production is also below the maximum capacity. But paradoxically, increased production by working the basins to maximum capacity, would only result in further losses, as long as the market rate of filature silk continues to be lower than the cost of production. While some reduction in the cost of production is possible as already indicated, the main problem of filature industry is the competition it has to face from local Charka Silk on the one hand and the low-priced imported (Japanese) silk on the other. We see little hope of filature industry ever becoming self-supporting until the market price can be regulated to be at least 2 per cent higher than the cost of manufacture. The only way in which we see that this can happen is by the Central Silk Board taking a sympathetic view of the state of filature industry and regulating the import of foreign silk and its releases from time to time. The Board should either consult the Mysore Sericultural Department in regard to quantities of silk to be imported and their releases, or hand over the entire quantity of imported silk to the Mysore Sericultural Department. Mysore is a largest producer of silk in India, and it is astonishing that the Central Silk Board, which should do everything in its power to protect the industry, has allowed a situation to develop under which the industry has either to run at a loss or be closed down. We feel that the matter should be taken up at the State level to persuade the Board to come to the rescue of the industry by following a more helpful policy. Failing in this, the sericulture industry has to be nationalised in the interest of rearers. We suggest as a resource measure that the existing rate of Charka silk licence fee be doubled.

Pre-Integration Mysore in its enlightened administration took keen interest in the development of industries even from the beginning of the century. It received impetus on attainment of independence and, planning policies and programmes have further strengthened industrialisation. During the Third Plan period an outlay of Rs. 682 lakhs has been envisaged for the development of large and medium size industries. The outlay in the Second Plan period was Rs. 359 lakhs only. Further the Union Government has established several industries within the State like H.A.L., B.E.L., I.T.I. and H.M.T.

In pursuance of the terms of our reference to our Committee we have studied departmental organisation and caused a detailed study of several government-owned industries by our learned colleague Dr. B. D. Panth. His note entitled 'State-owned and Controlled Industries' is enclosed as annexure. His study gives a comparative view of the progress made by the industries worked under the Union Government, Mysore Government-owned and aided industries. The Government-owned industries, with the exception of one or two, have not become self-supporting: nor are they contributing adequately to the resources of the State. The handicaps that State-owned industries are facing have paralysed their growth and demand immediate removal. The reorganisation of existing Boards of Managements with powers of autonomy consistent with responsibility will enable them to grow and become self-supporting in the face of keen competition which is fast developing. Their capital outlay of Rs. 13 crores should bring into the State Exchequer a commensurate return and strengthen the financial position of the State.

Drug Licence Fees

5.58. Two Central Acts, *viz.*, Drug Licence Act and Pharmacy Act, 1948, are in force in the State. Since no fee is now being charged and negotiations of pharmacies under the Pharmacy Act, we suggest that a suitable licence fee be levied, with the concurrence of the Government of India.

5.59. We have so far dealt with the ways of augmenting State revenue under the several items in the State List. Several suggestions for the levy of new taxes have been made to us, some of them being rather novel and far-fetched in nature. We should, however, make mention of certain new lines of taxation, which, we feel may be considered after due examination of legal implications and other relevant factors.

(1) *Tax on Forward Contracts*.—Certain States, *viz*., Maharashtra and the Punjab, are levying a tax on Forward Contracts. The levy of such a tax in Mysore may be considered on the pattern of taxation in Maharashtra.

(2) *Licensing of Hotel Servers*.—A suggestion has been made that persons employed as preparers and servers in the hotels should be licensed under the Public Health Act, as a measure of preventing the spread of communicable diseases. By charging a small fee of Rs. 3 per year for each such licence, and making the licence renewable with a fee of Re. 1, it is estimated that a revenue of Rs. 10 lakhs a year may be realised, while ensuring the health of persons who resort to hotels. We commend the suggestion for consideration.

(3) *Tax on Hotels*.—We understand that there are about 10,000 hotels in the State. The number is on the increase. Hotels are required to take out a licence from the Corporation, Municipalities and Local Bodies, but otherwise there is no attempt at classifying them or regulating their business which has now assumed the proportion of a major industry. Incidentally it should be possible to raise a substantial revenue to the State by the levy of a tax on hotels. The levy may be made under the Public Health Act or under a separate law to be enacted. Hotels, along with cinemas, have not only increased in number but are making heavy inroads into the family budgets of even low-income groups. These are the two objects for heavy and progressive taxation in the interests not only of revenue but of the physical and moral standards of the people. Hotels and cinemas in the cities and larger towns in particular are assuredly in a position to stand a heavy rate of taxation. We

commend the idea of a tax on hotels, on the basis of number of beds and seating capacity, with different rates for cities, towns or other areas, on the pattern generally of the Show tax. The taxation of hotels on this pattern is expected to give an additional revenue of Rs. 50 lakhs to the State.

Electricity

5.60. We are precluded from making specific recommendation in regard to the working of the Electricity Board as it is an atonomous concern. But on the principle that State public utility undertakings should make a contribution to general revenues, we suggest that the contribution payable by the Electricity Board be fixed and made a charge on its earnings. There is an element of subsidy in the power rates charged (1) to the Mysore Iron and Steel Works and K. G. F. Undertakings and (2) for Lift Irrigation. Now that the Mysore Iron & Steel Works has been registered as a Corporation, the concession which it enjoyed as a department of Government should cease. A review of power rates in the case of the K. G. F. Undertakings is called for and the same may, subject to agreement with the concern, be suitably revised, to eliminate the element of concession. In regard to Lift Irrigation the subsidy should, in our opinion, be limited to the first five years of installation and economic rates be charged thereafter.

Road Transport

5.61. The Mysore Government Road Transport Department having become a Corporation since October last, we refrain from making any recommendations in regard to its internal economy or administration. But since the Government have an interest in the surplus income, we feel, that we are within our rights to suggest ways for raising the earning capacity of the concern in general terms. The fares in the Mysore Government Road Transport Department were revised twice in 1960. By the first revision a uniform rate of 5 nP. per mile or 20 nP. per stage of 4 miles was introduced throughout the State. There was a second revision from 15th August 1960 by which the rate was reduced by 1 nP. per mile after the stage of 24th mile of the journey was passed. For the City Bus Services, the fares were revised with a maximum of 6 nP. for the first stage and a minimum of 3 nP. for the 4th and subsequent stages. On the basis of the revised fare-structure in force from 15th August 1960, the revenue from the City as well as the moffusil services now stands around Rs. 583 lakhs. Ten per cent of this is treated as tax under the Tax on Passenger and Goods Act enacted last year. By this the revenue of the Corporation stands reduced to the extent of Rs. 58 lakhs a year. The merging of the tax in the fare may not be correct now that the Road Transport has become a Corporation. It will also be a handicap to the newly constituted Corporation. We recommend that the tax be made a separate levy, leaving the question of revision of fare-structure to the Corporation.

Summary

5.62. We have made recommendations for tightening up the administration of State taxes in the Chapter four. In this chapter we have proposed specific measures of additional taxation. Their combined effect, in terms of additional revenue to be raised during the Third Plan period, may now be summed up.

A crore of rupees a year may be expected to be realised additionally by plugging the loopholes in the working of the Sales Tax and Motor Vehicles Tax Acts. Besides nearly Rs. 2—3 crores, out of the Land Revenue Excise and Sales Tax arrears outstanding, should be recovered during the Plan period. Additional resources to the extent of Rs. 6—7 crores may accordingly be raised for the Plan.

The annual additional revenue anticipated under each of the several specific taxation measures recommended by us for the remaining four years of the Plan period is approximately as detailed below:—

In lakhs of rupees

Items of taxation	*Annual additional revenue anticipated*
1. Land Revenue—	
(1) General surcharge	100
(2) Surcharge in lieu of revenue settlement	200
2. Water rate (including additional water rate for second crop, water supply to industrial concerns, Irrigation Maintenance Cess, etc.	270

In lakhs of rupees

	Items of taxation	*Annual additional revenue anticipated*
3.	Tax on new buildings	40
4.	Sales Tax	150
5.	Agricultural Income Tax	100
6.	Miscellaneous Taxes (Betting Tax, Cinematograph, Show Tax, etc.)	15
7.	Tax on Passenger and Goods	10
8.	Forest	100
9.	Mines and Minerals	50
10.	Hotel Tax	50
11.	Licensing of hotel servers	10
12.	State share of Central Petroleum "Development Fund"	50
	Total	1,145

or Rs. 11.5 crores a year

The additional revenue works out to Rs. 46 crores for the remaining four years of the Plan. Deducting from this the sum of (1) Rs. 5 crores under surcharge in lieu of revision settlement already levied and (2) Rs. 3 crores, assumed under water rates in the forecast of resources for the Plan, the net additional revenue realisable under our recommendations will be Rs. 38 crores. A sum of Rs. 6—7 crores will accrue as additional resources by the measures for tightening up the administration of taxes suggested by us. Thus we consider that a sum of Rs. 45 crores may be raised additionally during the Plan period. Against this however, it would be only necessary for the Government to raise Rs. 33 crores to fulfil its promised tax effort of Rs. 43 crores for the Plan. Although there is a comfortable margin left, it is obviously not possible to implement all the taxation measures recommended by us at once. The taxation programme has therefore to be phased out. Accordingly we suggest the following phased pattern of taxation for the Third Plan, taking into account the tax-effort made already during 1961-62.

1961-62	1962-63	1963-64	1964-65	1965-66	Total
2	2	2	2	2	10
..	4	4	4	4	16
..	..	3	3	3	9
..	..	..	3	3	6
..	..	..	..	2	2
2	6	9	12	14	43

CHAPTER VI—PUBLIC DEBT.

6.1. We are asked to examine the present debt position of the State, with particular reference to the remunerative aspects of the scheme, on which borrowed money has been utilised.

6.2. The reorganisation of the State in 1956 added to debt liabilities of the State by the transfer of the shares of public, and Government of India loans relating to the integrated areas. The gross debt liabilities of the new State stood at Rs. 91.75 crores at the end of 1956-57 and are now at the level of Rs. 156.58 crores. Of this, Government of India loans, amounting to Rs. 90.61 crores, form about two-thirds and public loans, amounting to Rs. 38.68 crores, a little less than a fourth. The following table indicates the trends in the debt position of the State, from year to year, since 1956-57 up to date :—

(Rupees in lakhs)

Details	*As at the end of*				
	Accounts 1956–57	*Accounts 1957–58*	*Accounts 1958–59*	*Accounts 1959–60*	*Accounts 1960–61*
1. Permanent Debt ..	2511.32	2368.79	2889.96	3431.12	3868.37
2. Floating Debt ..	..	..	..	..	..
3. Loans from the Central Government.	4914.72	5937.75	7139.32	7924.20	9060.88
4. Other Loans ..	25.00	56.55	701.51	800.54	864.17
5. Unfunded Debt ..	1724.29	1813.14	1381.55	1492.10	1864.11
6. Inter-State Debt Settlement.	..	..	..	..	..
Total ..	9175.33	10176.23	12112.34	13647.96	15657.53

(Rupees in lakhs)

Details	*For the years*				
	1956–57	*1957–58*	*1958–59*	*1959–60*	*1960–61*
(*a*) *Interest*:—					
22—Interest, etc., (net)	98.90	214.24	190.41	187.00	249.99
17—Interest on Irrigation Works.	10.36	10.85	108.18	197.87	208.85
(*b*) Sinking Fund Contribution*	132.70	94.66	117.55	157.00	185.00
Total ..	241.96	319.75	416.14	542.28	617.59
Sinking Fund balance at the end of the year.	1068.86	1468.40	1623.28	1833.88	2067.56

* Since most of Government of India loans are repayable in annual instalments, no Sinking Fund is created for them.

6.3. The allocation of the public and Government of India loans, among the integrated areas of new Mysore State, as on 31st March 1960, is given below:—

(Rupees in lakhs)

	In crores of rupees
1. Public Debt—	
(*a*) Ex-Mysore State	34.31
(*b*) Ex-Bombay State	5.94
(*c*) Ex-Madras State	1.96
2. Government of India Loans—	
(*a*) Ex-Mysore State	62.62
(*b*) Integrated areas *	16.62

* Includes shares of public debt of the ex-Hyderabad State.

6.4. On the principle that the size of public debt at any time should not be greater than five times the normal revenue, the gross debt liability of Rs. 156.58 crores, compared to the net revenue of Rs. 65 crores in 1960-61, may be said to be within the limit of safety. But the position is different in regard to debt service charges. Gross debt charges, *i.e.*, interest plus contribution to Sinking Fund, which amounted to Rs. 4.70 crores in 1957-58, increased to Rs. 7.57 crores in 1960-61. If debt service charges in any year are not to exceed ten per cent of net revenue, the expenditure of Rs. 7.57 crores under debt charges in 1960-61 has, compared to the net revenue, already exceeded the safe limit by more than Rs. one crore. The net position at the end of the Second Plan is a 50 per cent increase of total debt liability of the State, with a doubling practically of the incidence of debt charges. Further the annual repayment of Government of India loans, which stood at the level of Rs. 1.86 crores in 1957-58, rose in 1960-61 to Rs. 4.61 crores. Besides, the repayments to other Governments on account of our share of Public Debt amount to Rs. 1.67 crores. These repayments alone resulted in depleting the cash resources of the Government to the extent of Rs. 16.63 crores in the Second Plan.

6.5. In the Third Plan it is proposed to borrow Rs. 156 crores, as follows :—

	In crores of rupees
Public loan	27
Government of India Loans for the Plan ..	98.0
Loans for Centrally sponsored schemes ..	11.7
Small Savings	10.0
Other sources	9.4

The total gross debt liability on this account is estimated to be (i) Rs. 14.28 crores, under interest and (2) Rs. 4.93 crores, under appropriation to the Sinking Fund, in the Plan period. By 1965-66 additional expenditure on interest and contribution to Sinking Fund is anticipated to reach the level of Rs. 5.6 crores, and Rs. 1.86 crores, respectively, or Rs. 13.6 crores in all, including the existing commitments. Against this the expectation is that the State's net revenue will be stepped up from the level of Rs. 65 crores reached in 1960-61 to only Rs. 70 crores in 1963-66. In the result the gross debt charges at the end of the Third Plan will represent a third of the anticipated net revenue. Thus if the burden of debt charges is already heavy, it will in the next few years have become so much heavier as to be well beyond the resources of the State to bear. At the same time annual instalments towards the repayment of the further Central Government loans, of Rs. 98 crores to be raised, have to be paid out of the cash balance which is already seriously depleted. If this position continues, a stage will be soon reached when the State Government has to take loans from the Centre to repay earlier ones, or be forced to resort to deficit financing through Ways and Means advances for meeting day to day expenditure. The State will be faced with a very difficult financial position unless, in the meanwhile, the burden of debt charges is cased. There are only two ways in which this can be done, viz., (1) putting borrowed money to productive use and (2) spreading the repayment of loans over a longer period.

6.6. The time-honoured principle is that borrowed funds should be utilised only for productive purposes. Prior to Federal Financial Integration this principle was adhered to strictly, so that every increase in the State's debt liability was matched by the creation of capital assets, the return from which, more or less covered the added debt liability. The State Government in these days borrowed occasionally and for specific remunerative projects. There were well-defined tests of productivity and the State Government was free to select the projects that satisfied the tests. It could also time its entry into the money market and raise the entire resources required in a single operation. Public debt being mainly in the form of dated loans, it was possible to adjust the rate of interest and repayment to the expected return. As a rule, however, unremunerative projects were financed from accumulated revenue. Even if a part of borrowed money was sometimes utilised for 'protective' works, which were not expected to be directly remunerative, the investment resulted nevertheless in the creation of material and permanent assets, which yielded indirect returns. The position is now entirely different. Public borrowing by the State has become an annual feature. The amount that the State is able to raise by open market operations is inadequate compared to the resources needed to fulfil the Plan targets; and the State is obliged to borrow continuously from the Central Government, to supplement market borrowings. Under the terms of repayment of the Government of India loans, however, States are required to repay them in annual instalments, irrespective of whether the projects on which borrowed money is utilised yields a return or not. The State Government cannot now be content to select only remunerative schemes, but has to take up all schemes included in the Plan, whether they are productive or not. Many of the Plan schemes and social service schemes under Education, Medical, Public Health, Social Welfare, etc., are financially speaking unproductive but socially desirable; power and industrial projects, which are productive, generally take a long time to yield a return. Meanwhile, interest on borrowings has to be paid out of current revenues; and annual instalments towards repayment of Central Government loans have to be paid out of the cash balance. Regular use of borrowed funds, admittedly for non-remunerative schemes or for covering revenue deficits, constitutes, in the words of the Mysore Finance Enquiry Committee, " a significant departure in the objectives of borrowing introduced by planning for development." Following the Planning Commission's dictum that " in a developing economy, current revenues should make an appreciable contribution to the financing of projects on capital account ", additional taxation is also being raised systematically to meet capital outlay on plan projects in the public sector of the Central and State Governments. This purely pragmatic approach in State finance, under which taxation is supplemented by borrowing, and borrowing by taxation, and both are resorted to, to the extent possible to maximise resources for the Plans, reflects a major shift in government's public debt policy.

6.7. The budgetary practice of classifying expenditures of Rs. 20,000 and more on individual items, such as school buildings, culverts, etc., or of Rs. one lakh and more on a group of such items, as capital expenditure, was introduced to afford relief to the Revenue budget. But we have to consider the effect firstly, on the capital budget which is unnecessarily swelled to include petty items of expenditure of a wholly unremunerative character; and secondly, on the assets and liabilities position by the inclusion on the asset side of items, which are not assets really but are so only in a technical sense. Since the expenditure on such items, which was formerly met within the revenue account, is now debitable to capital heads, the effect of the change of classification has been to permit larger borrowings for unproductive purposes.

6.8. This brings us to the question of the remunerative aspect of schemes for which borrowed funds are utilised. The total investment on the State's capital assets, as on 31st March 1961, stood at Rs. 194 crores. The outlay on ' Civil Works ' is Rs. 21 crores, much of it is of course unproductive. Investment on (1) Irrigation (Rs. 79 crores), (2) Electricity (Rs. 50 crores) and (3) Industrial

Concerns and Road Transport (Rs. 26 crores) adds up to Rs. 176 crores, and it is this part of capital assets of the State from which a return is to be expected. We shall see how far this investment has been productive and is yielding returns.

6.9. Irrigation works are classified as (1) Commercial, *i.e.*, works for which Capital and Revenue accounts are kept, and on which a sum of Rs. 76 crores has been invested; and (2) Non-commercial, the investment on which is about Rs. 3 crores. Ordinarily Capital and Revenue accounts are to be kept for works costing more than Rs. 5 lakhs. Such works as are expected to yield, after a period, a net annual return of at least equal to the interest, at the average of the Government borrowing rates, are treated as productive works; all other works being classed as unproductive. If a productive work fails to yield a net annual return for three successive years, it is treated as unproductive. Per contra, the unproductive works which yield a net annual return for three successive years are treated as productive. None of the irrigation projects (Commercial) in the State has so far satisfied the productivity test. The Gokak Canal, the solitary project which is classified as productive, is so classified because no expenditure on headworks was involved. The net return on the total investment on them of Rs. 76 crores has been minus Rs. 197.55 lakhs in 1959-60, minus Rs. 202.72 lakhs 1960-61, and is estimated to be minus Rs. 204.33 lakhs during the current year. The anticipation is that the negative return will continue over the Third Plan period. The net return from the outlay of Rs. 3 crores on non-commercial irrigation works has also been negligible, the return in 1960-61 being about Rs. 4 lakhs, The irrigation projects in the State. as a whole, have been unproductive till now and bid fair to be so for several years to come.

6.10. About Rs. 31 crores out of the total outlay of Rs. 50 crores on Electricity have been transferred to the State Electricity Board so far. The rate of interest on the capital, transferred to the Board, has been recently raised from 5 to 6 per cent. In regard to the Sharavathy Valley Project, the capital outlay is assumed to be Rs. 19 crores for the first stage. If this stage of the project had been completed by 1962-63 as scheduled, a return of 6 per cent on the capital outlay of Rs. 19 crores would have accrued from 1963-64. But as the completion of the project has been behind the schedule, and it is expected to be commissioned only in 1965-66, no interest on capital can be expected in the plan period. Six per cent on capital may be considered as satisfactory only by way of interest. No standard return from undertakings in the public sector has been evolved or laid down for purposes of comparision. But an Electricity project is a highly remunerative public enterprise and should be so run as to yield a return which will not only cover the working and maintenance and costs and interest on capital but leave a surplus. In this view, the effective investment of Rs. 31 crores on Electricity cannot be regarded as being fully productive.

6.11. The following statement gives the net result of working of the more important State-owned industries during 1960-61 :—

	Net profit Rupees in lakhs
Mysore Iron Works	64.32
Kolar Gold Mining Undertakings ..	1.75
Electric Factory	1.39
Soap Factory	21.02
Sandal Oil Factory	22.22
Central Industrial Workshop ..	(—) 1.59
Silk Filature, Kollegal, Mysore and Kanakapura	(—) 14.42
Porcelain Factory	(—) 12.91
Implements Factory	(+) 0.13

So far, whatever surplus was left from the working of Industrial Concerns has been reinvested on further capital expression, and no part of it could be utilised for general welfare activities. But at a time when contribution to General Revenue is expected, the Mysore Iron and Steel Works, the only industrial undertaking to yield a substantial return, has now been registered as a Corporation. It is expected to give a dividend after deducting income tax and interest on capital, but the dividend will not materialise until the expansion schemes are completed. Meanwhile the return is limited to only interest at 6 per cent on the capital to be transferred to the Corporation. The Government Electric Factory is being expanded but is not likely to yield a net return for the next 3—4 years, till the expanded concern goes into production. Though the Government Porcelain Factory is stated to have turned the corner, it will take some more time for the concern to become remunerative. The circumstances under which the Kolar Gold Mining Undertakings operate are such that no return, apart from interest on capital and royalty, may be expected. The Sandalwood Oil Factory, which was till now a monopoly concern, is facing severe competition from private manufacturers on the one side, and the synthetic product on the other. Shortage of sandalwood, due to spread of spike disease, is another handicap which, if not removed, may jeopardise the future of the industry itself. The only other importent public undertaking of the Government is Road Transport Scheme, from which a net revenue of Rs. 35 to 40 lakhs was being received every year on an investment of Rs. 4.7 crores. This concern has, since 1st August 1961, become a Corporation with the result that, except interest at 6 per cent on the capital transferred to the Corporation, no part of the net earnings will pass to the State. The return on the investment of Rs. 34.7 crores, on State-owned industries and Road Transport Scheme, is already low ; even this, in the light of recent trends of their working, is likely to be wiped out and turn into net loss. The hope that the State Industrial Projects would make substantial contribution to the general revenues is far from being realised in the plan period, and the chances are that they will continue to be a liability to the State and a burden to the tax-payer.

6.12. Out of the total capital outlay of Rs. 185 crores, assets valued at 28 crores are admittedly unproductive from which there is no return, and no return can be expected. This makes it all the more necessary that the productive assets on which the balance of Rs. 157 crores has been invested is so managed as to yield a return sufficient to cover not only their own working costs and debt liability but those of unproductive assets also. This is the only way in which the debt liability of the State, as a whole, can be fully covered without any part of it becoming a burden on the general revenues. If the State's public sector projects have failed so far to yield a commensurate return or have been yielding a negative return, it is not because they are basically unproductive but because they are not being run as remunerative enterprises. Even conceding that the net return from irrigational projects (commercial) is bound to be lower than that of more remunerative undertakings like Electricity or industrial concerns, there is no justification for the minus figures under net receipts from irrigation. The minus return is due mainly to (1) non-levy of betterment fees and water rates in respect of newly-completed projects and (2) non-revision of water rates levied at a low rate long age in the case of settled projects. The levy of proper rate of betterment and water fees in respect of few projects, enhancement of these in respect of old projects, and the imposition of a maintenance rate on all irrigated lands in the State, as recommended by us, will go a long way to raise the gross receipts and reduce, if not eliminate, the minus figure under net receipts. It has to be noted that a considerable amount of outlay on irrigation is in respect of a number of projects, which are still under execution and the development of irrigation under which have not yet progressed. It is only after the irrigational potential, created under these projects of magnitude, is fully utilised that the return from the investment made on them will materialise. It has also to be noted that delay in the execution of almost all the medium and major irrigation projects in the State has resulted in a doubling or trebling of the outlay originally estimated and of interest up to the extended date of completion being added to capital. The delay, in the execution of projects extending to several years, is, in our view, the main cause of over-borrowing and use of significantly larger borrowed sums on the irrigation projects. It is not to be wondered at if, in the circumstances, several projects which would have been highly remunerative turn out, due to overcapitalisation, to be uneconomical in the end. We have no doubt in our minds that by a strict insisteance upon the completion of projects according to the schedule, and upon the prompt levy and collection of betterment fees and water rates, the investment on the irrigational projects in the State can be made to yield a return sufficient to cover fully the maintenance and interest charges. When the new irrigational potential created is also utilised, we visualise the possibility of the investment becoming fully as productive as any other form of Government investment, with periodical revision and readjustment of water levies commensurate with rising agricultural productivity and prices.

6.13. As a public sector undertaking, the State Electricity scheme should be so worked as not only to cover working expenses and interest charges, but to yield a sizeable surplus. We repeat that the rates for the supply of power for different uses should be reviewed and the element of subsidy, specially in the concessional rates allowed to the Mysore Iron and Steel Corporation eliminated. But it is by a substantial reduction in working costs and minimisation of power losses and leakages mainly that the undertaking can become fully remunerative.

6.14. The industrial sector of State's public undertakings is its weak point. The more remunerative industrial enterprises have now become autonomous Corporations. The surplus revenue, which till now was coming to the Government, will cease and the return will be limited hereafter to the bare interest on capital. The industrial concerns which still remain with Government are really not of much revenue significance. All of them have dwindled to the proportion of pilot industries and the investment on them taken together does not come up to the dimension of a single major industry according to modern standards. Moreover, the monopoly position which some of these concerns in general and in particular the Sandalwood Oil Factory, enjoyed so far, is largely replaced by competitive conditions. Obsolete equipment and outmoded production techniques in some at least of the industries are severe handicaps in meeting competition from better-organised and more efficiently-run industries in the private sector. Above all, the departmental system of management of Government industries is mainly responsible for stagnated production and poor financial results. We strongly recommend that an Expert body composed of industrialists and financiers be set up for comprehensive examination of the working of Government industrial concerns in the State, and for advising Government about a suitable management pattern, and modernisation of equipment and techniques to enable existing industrial concerns, and those to be started hereafter, being operated and administered as efficiently and profitably as comparable industries in the private sector.

6.15. We have been considering the remunerative aspects of State undertakings in the public sector on which Rs. 137 crores of borrowed money has been utilised. As we have seen, these projects are not innately unproductive, though the return from outlay, relating to minor irrigation, may not be expected to yield a direct return. The rest of the investment on irrigation and that on power and industrial undertakings in the State can and should, in our considered view, be made to yield a sizable surplus, after meeting working expenses and interest charges, by better management of the State's public utility undertakings on the broad lines suggested above. Unless this is done and the productive capacity of projects, on which borrowed funds are invested is raised, we see no prospect of the burden of debt obligation on the State being eased.

6.16. In regard to further borrowing for the Third Plan, we anticipate no difficulty in the entire sum of Rs. 156 crores targetted being raised in view of favourable trends in the money market. Our concern is mainly about the debt charges which, by the end of the Third Plan are likely to become so heavy as to be a crushing burden. So long as no distinction is made, between loans for productive and unproductive purposes, and borrowed funds continue to be used freely for the latter purposes, the return from further borrowings cannot be expected to improve. In principle loans may be raised for strictly remunerative projects, the returns from which will cover at least, working expenses and debt charges. So long as this principle is adhered to strictly, debt obligations will present no problems to the State. But a simple return to this ideal is not possible, since the Government has often to raise borrowed funds for plan schemes from which no direct return can be expected. This necessity is implicit in the very pattern of plan expenditure and of Central assistance given for it. The position as to public borrowing by the State has become rather confusing in the absence of a clear public debt policy in the planning context. The distinction between capital and revenue expenditure has become blurred to vanishing point almost. Both taxation and borrowing are resorted to for financing productive as well as unproductive schemes, without making any distinction between them. The budgetary checks upon borrowing for unproductive purposes have been relaxed and replaced by *ad hoc* procedures which tend, on the whole, to encourage borrowing for purposes other than the creation of productive assets. Not only are the loans freely utilised for what is called social investment but due attention is not also paid to the remunerative aspects of productive projects, the same being treated as of secondary importance. Though a straight-jacket approach to financing of plan schemes is neither possible nor can be suggested, we feel bound to advise the adoption of a sound system of public borrowing with safeguards. It is essential to make a distinction between loans for productive and unproductive purposes. While the latter kind of loans have become inevitable and cannot be avoided, it should be possible by a careful sifting of schemes, and scrutiny of their financial aspects, to minimise the use of borrowed funds for unproductive purposes. Since both additional taxation and borrowing are being resorted to, to raise the resources for the plan, the outlay on unproductive schemes in a year may, as far as possible, be limited to the expected additional revenue by taxation, and the borrowing programme for the year adjusted to the anticipated outlay on productive projects. We see no insuperable difficulty in this being done, since the proportion of outlay on purely unproductive schemes to productive outlay under the plan is relatively low. The danger in not distinguishing between the two kinds of outlay is that borrowed funds, which are generally in excess of additional revenue realisations in any year, are apt to be diverted in unproductive purposes, in view of the full provision for remunerative projects and schemes not being generally utilised due to delays in execution. We suggest that, as a rule, borrowed funds be scrupulously used for specified projects and schemes only, and that no part of allotted funds for particular schemes and projects be diverted for other purposes. Only by strict adherence to this principle can the full and proper use of borrowed finance be secured and timely allotment of funds for really useful and productive projects ensured. Since the State Government is regularly raising market loans every year and creating a sinking fund for each such loans, the proceeds of these public loans should be earmarked and utilised for remunerative projects only. The prospectus of each public loan should contain full and clear particulars of the projects for which it is being raised and the profits of the loan earmarked for such projects only. The 'pairing' of specific loans for particular projects ensures sufficient and timely provision of funds, the lack of which is among the main reasons for delays in execution. Since delay in the completion of projects is the principal cause of over-borrowing, a planned use of borrowed funds is the best safeguard against ineffective borrowing and avoidable increase in the debt obligations of the State. One difficulty in distinguishing between remunerative and unremunerative projects is the lack of simple and reliable productivity tests, after abandonment of the tests formerly in vogue. While the selection of particular schemes on the basis of productivity alone is not always possible, there is a wide range of projects and purposes under the plan for the Government to choose from, and productivity tests serve as a useful guide in making the correct choice. Thus among several projects to be financed from borrowed funds that which is expected to yield a quicker and higher return, as judged by productivity tests, should be selected or accorded a higher priority over others. By this means the return from the investment of borrowed money will accrue earlier and may be expected to offset, to some extent, the debt liabilities on account of schemes which will take longer to be completed and yield a return, and also those that are unproductive. Incidentally, we feel that, if the financing of the Sharavathi Valley Power Project had been linked with specific foreign assistance, as the Kundah Project in Madras State was linked to Canadian assistance, the execution of the project would have proceeded according to the schedule. Dependence on *ad hoc* and fluctuating Central assistance for the project has resulted in the execution of this project (first stage) being delayed by some years. This has deprived the State of surplus electrical earnings which, had it materialised, would have reduced the burden of debt charges appreciably.

6.17. Large inventories of surplus materials and stores obtained for capital works but not utilised, and accumulation of stores over and above the annual limits, together with idle equipment and machinery valued at crores of rupees with the several irrigational projects in the State, are the causes of locking up of considerable amount of borrowed finance, the burden of debt charges on which is a dead-weight on the general revenues. While the stores and spares position has to be built up to a point to ensure the progress of plan schemes, stock-piling of materials much in advance of the schedule, involving the freezing of loan funds, has to be discountenanced. Systematic stock verification and prompt clearance of superfluous, and unserviceable stores should be insisted upon. The purchase programme of major spending-departments should be related to anticipated outlay in each year and be approved by Government after scrutiny by the Finance Department.

6.18. Nearly Rs. 32 crores are shown as outstanding loans to the State Government as at the end of 1960-61. While the interest realisable from these loans will be set off against the total debt charges of the State, we are not sure if interest due on this huge outstandings is being recovered as it falls due. Since some of these loans are free of interest, and others bear either a low or a nominal rates of interest, they add to the debt burden. We fear that some part of the loans given by Government may turn out to be bad debts and, both the principal as well as interest, may have to be written off sooner or later. We will go into this position in the next chapter. The point we wish to make here is that the grant of Government loans, without the certainty of principal and interest being recovered punctually, gives rise to public debt liability which, some day or the other, becomes a final charge on the general revenues and a net loss to the State.

6.19. When all is said and done about the proper utilisation of borrowed funds and improving the productivity of projects on which they are utilised, the burden of debt obligations of the State cannot be expected to be reduced or eased to any significant extent unless the rate of interest on, and terms of repayment of, the Government of India loans to States, which form two-thirds of the total State debt liability, are revised and rationalised. It has long been recognised that the *ad hoc* terms on which Central loans are given to States have made them onerous. To quote the Mysore Finance Enquiry Committee " a change in the pattern of Central assistance is called for, if the immediate benefit conferred thereby on the State Governments with one hand is not to be taken away with the other by the very conditions attached to the repayment of loans, which make it necessary to grant further loans to States upon the same enormous terms for the discharge of their existing debt obligations ". The whole question having been referred to the Second Finance

Commission, the Commission made the following recommendations to consolidate and rationalise the terms of repayment of the Government of India loans to States :

> " In regard to the loans made by the Government of India to the States between 15th August 1947 and 31st March 1956 :—
>
> (*a*) With effect from 1st April 1957, in respect of loans made to the States for the rehabilitation of displaced persons and relent by them, the States be allowed to pay to the Union only the amounts of principal and interest collected, including arrears, if any ;
>
> (*b*) No modification be made in the rate of interest or terms of repayment of interest-free loans ; and
>
> (*c*) Of the remaining loans :—
>
> (i) the balances on 31st March 1957 of all loans carrying interest at three per cent or more per annum and repayable on or after 1st April 1977 be consolidated into one single loan at three per cent per annum repayable on 31st March 1987 ;
>
> (ii) the balance on 31st March 1957 of all loans carrying interest at three per cent or more per annum and repayable on or before 31st March 1977 be consolidated into one single loan at three per cent per annum repayable on 31st March 1972 ;
>
> (iii) the balance on 31st March 1957 of all loans carrying interest at less than three per cent per annum and repayable on or after 1st April 1977 be consolidated into one single loan at two and a half per cent per annum repayable on 31st March 1987 ; and
>
> (iv) the balance on 31st March 1957 of all loans carrying interest at less than three per cent per annum repayable on or before 31st March 1977 be consolidated into one single loan at two and a half per cent per annum repayable on 31st March 1972 ".

The acceptance of these recommendations *in toto* by the Government of India would have given some measure of relief to the State and eased its ways and means position. The Government of India however did not accept the Commission's proposals regarding the consolidation of the loans but only made some adjustments in the rates of interest, generally, and treated the loans given for rehabilitation of displaced persons as interest-free. The benefits of even these rates of interest are not made applicable to future loans. Thus there has been no substantial change in the *status quo*. As we have said already, the terms of the loans obtained from the Government of India have been onerous. Since the State is now committed to further borrowing to the tune of Rs. 98 crores from the

Centre for the Third Plan, it is of the utmost importance from the point of view of the State's finances and the ability of the State Government to fulfil the plan, to move the Government of India to liberalise the conditions upon which these loans are to be repaid. This is an important matter concerning all the States. We suggest that the State Government pursue the question vigorously with the Central Government for arriving at a satisfactory and equitable arrangement. The Finance Commission's recommendations referred to above are in our view the barest minimum and do not go far enough. They require liberalisation in the light of the broader principles proposed in this behalf by the Mysore Finance Enquiry Committee:

(1) Loans granted for whatever purpose should carry no interest in the initial period of five years;

(2) Repayment should commence only after a project for which the loan is utilised begins to yield an appreciable return; and

(3) In the case of loans for irrigational projects, the rates of interest should be adjusted to the expected return.

In endorsing the above, we make the following further suggestions, *viz.*,

(1) Loans given for Plan schemes of admittedly unproductive nature be free of interest, and

(2) Repayment of loans granted for other than strictly remunerative schemes be extended up to 50 years and the rate of interest on them be limited to 2 per cent.

6.20. The annual borrowings of State Governments in the open market are going through according to schedule. They are in fact over-subscribed every time. It is estimated that the contribution of the citizen to the public loans raised by the Government of India is 4.7 per cent, the rest of it being from sources controlled by it. We regard the percentage of the citizens' contribution in the total public debt of the State as an index of improved economic conditions of the people and their endorsement of the policies and programmes adopted by the Government. It is necessary to channel increased savings into investment in a larger measure *via* the public loans. We were informed that the Small Savings Scheme is being effectively worked in the Maharashtra State by the appointment of wholetime officers. We feel that small savings should become a people's movement and subscription to it should be on a voluntary basis. The State has a target of Rs. 10 crores to be raised from small savings in the Third Plan. There is no reason why this modest aim should not be achieved, if not surpassed, provided sustained efforts are made. The idea of compulsory savings has been mooted more than once. Though we are opposed to compulsion in principle, a scheme of pay roll deduction in industrial concerns may not be objectionable and prove a blessing to the improvident, while it is an easy and regular method of raising resources to the State. The State's Savings Bank was, in the past, a popular scheme under which the State was able to raise substantial resources from persons of limited means. The possibility of making the scheme attractive requires to be examined. It is a good idea to employ co-operative societies and marketing organisations in the successful working of Savings Schemes. The total value of business done in a single commodity, such as arecanut in Shimoga District alone, is estimated to be Rs. 3 crores a year. A suggestion was made to us that by the State contriving to take only one per cent out of these earnings, a sum of Rs. 9 lakhs could be raised as resources from small savings. The extension of this pattern to the other Districts and to other marketable commodities is considered to be a fruitful source which only waits to be tapped under the Small Savings Programme. We are of the view that co-operative societies in the State should be brought more largely into the sphere of the savings movement as the effective agency for raising the resources required.

6.21. One other topic to which reference may be made is the setting of definite limits to borrowing by States. Article 292 of the Constitution contemplates the fixation of limits by the Parliament to public borrowing. The U.S.A. has, under the laws made by the Congress, adopted certain limits to borrowing. So long as borrowing for the plan continues to be necessary, the practicability of attempting to limit public borrowing is open to doubt. If any restraint upon unrestricted borrowing becomes necessary, it should, we feel, be a self-imposed limit, dictated by considerations of financial prudence rather than by law. The Mysore Finance Enquiry Committee suggested that the size of public debt, at any time, should be limited to five times the normal revenues and that debt service charges should not exceed 10 per cent of State's net revenues. These may, we feel, be regarded as the limits of safety to be kept in view by the State Government in regulating its borrowings, since no hard and fast rule can be laid down in this behalf.

CHAPTER VII—LOANS AND ADVANCES

7.1. Interest-bearing loans due to State Government amounted on 1st April 1961 to Rs. 31.73 crores. Loan to Local bodies Co-operative Institutes, and to the Electricity, Housing, Trust Boards, taken with Industrial and Educational loans amounted to Rs. 30.41 crores. The balance of Rs. 1.32 crores represented loans to Government servants.

7.2. It is gratifying that the Finance Department has a complete list of outstanding loans which is being verified by the Accountant-General, and placed before the Legislature every year. It is seen from the list that there is no uniformity in the rates of interest and terms of repayment of the loans. While a few of them are interest-free, the rate of interest on the rest varies from 1 per cent to 5 per cent. The main problem relating to loans by the State is the recovery of outstandings. In particular the repayment of loans given to the Municipalities in the old Mysore area has fallen heavily into arrears and overdues have mounted. The Public Accounts Committee, in reviewing the Finance Accounts of 1955-56, observed as follows in this behalf:—

> "It is seen from the Finance Accounts of 1955-56 that heavy amounts are due from Municipalities and other Local Bodies. It has also been observed in the Finance Accounts that in several cases the acceptance of balance outstanding has not been received. Many of the Municipalities are not regular in the payment of their instalments. This Committee would suggest to Government that a practical view of this matter may be taken. The financial position of the Local Bodies may be reviewed and where it is seen that the Local Bodies have tried their best to improve their resources to the maximum extent, the State Government may convert a portion of this loan into grant, the balance being made payable over a reasonable longer period. Unless such a review is undertaken and the Local Bodies are asked to improve their resources, it is feared that it will be difficult for Government to recover these heavy outstandings at a large stage. It is not correct to show any portion or the loans which are rairly doubtful of recovery as assets in Government accounts. The Committee was informed that the review of these loans has been undertaken by an Official Committee and we would like that Committee to take into account the above observations."

7.3. The entire problem was comprehensively reviewed by an Official Committee under the Chairmanship of the

Finance Secretary. The findings of the Committee are as follows :—

(i) Outstandings are particularly heavy under loans given to the Municipalities of the Ex-Mysore Area ;

(ii) The main cause of the outstandings is that loans granted prior to 1956 to the Municipalities were given without reference to their financial position ;

(iii) The Municipalities of Ex-Mysore Area have made no attempts to improve their financial position although there is scope for doing so under the existing Municipalities Act ;

(iv) The procedure followed in the repayment of loans to Municipalities has itself been a bottleneck for prompt recovery ; and

(v) In regard to loans granted, and guarantees offered, under the State Aid to Industries Act, the terms of repayment and recoveries are not being effected regularly in several cases.

The Committee's proposals for the recovery of outstandings from the Municipalities fall into three steps. As a first step the Municipalities are to be called upon to step up the rate of taxes on buildings and lands up to the maximum of 20 per cent of annual letting value permissible under the existing Town Municipalities Act ; at the next stage the Municipalities whose financial position cannot be sufficiently improved by increasing the rate of property taxes alone, are to be required to enhance the rates of other taxes or to levy new taxes within their powers and at a last stage 30 per cent of the loan is to be treated as grant and the balance recovered in easy instalments in the case of Municipalities which are not in a position to pay the entire loan, in spite of the relaxations allowed as stated above, provided they have raised their taxation to the maximum level.

7.4. We have given our earnest consideration to the scheme outlined by the Official Committee. The problem is one which should be tackled, not on an *ad hoc* basis, but with reference, firstly to the principle that should be followed in all such cases generally, and secondly to the pattern of future financial relationship of the State *vis-a-vis* the Local bodies.

In principle loans of whatever nature given by the State should be recovered fully and there should be no question of waiving the recovery unless they are irrecoverable. To follow a different principle in the present case would be to encourage defaults in repayment of future loans. A bad precedent will be set up if the impression is created that any part of the loan that is not repaid for a fairly long time would be written off. Even a hint of such a concession is likely to make the Municipalities to persist in their present attitude in the idea that they can escape the liability if they can manage to hold out for a sufficiently long time. We see no justification for softness towards Local bodies when no consideration is given even in cases of hardship to individual loanees on the ground of inability to repay. In fact, the Official Committee has brought out clearly that the defaulting Municipalities have taken no trouble to improve their financial position, though there is scope for their doing so, and they could well have done so by now, if they were really earnest about discharging their debt obligations to the State. A Municipality which took a loan which it know would be beyond its capacity to repay, and having taken it in the hope of being able to repay fails to take the necessary steps to improve its finances does not, in our opinion, deserve any special consideration.

7.5. As the State Government is obliged on its part to make annual repayment of loans taken from the Government of India under conditions of severe financial stress and strain, it is just not in a position to be unduly generous and to treat any part of loans due to it as a grant. Our approach to the problem of recovery of outstanding loans is to put the defaulting Municipalities on their mettle by demanding the repayment of overdue amounts, leaving it to them to put their financial houses in order and improve their resources to the extent necessary to meet their debt obligations. The adoption of a firm attitude by the State Government by resorting, if necessary, to the regulatory provisions under the Town Municipalities Act, will, we feel, alter the whole situation and put a different complexion on it. The present situation has arisen because of there being no specific official agency at the Departmental level charged with the responsibility of watching the outstandings and taking coercive action for recovery from time to time. The State Government is armed with sufficient powers to regulate the working of the Town Municipalities and can by exercising these powers to the extent necessary secure compliance by the Municipal Councils with its directives. We recommend that all Municipalities who have got into arrears be given final notices and a year's time within which to improve their finances and pay the overdue amounts. This would be sufficient, followed by strict enforcement of the terms of repayment of loans, to reduce the outstandings in a significant measure. But in cases of persistent default and evasion of liability there need be no hesitation to have recourse to legal proceedings also. It may be however necessary, as pointed out by the Official Committee, to ease the terms of repayment in the case of smaller Municipalities by extending the period of repayment and reducing the amount of instalments and waiving penal interest in deserving cases also. Such relaxation is indeed necessary and may be allowed freely in the interest of recovery of the overdue amounts without further default. Only in case of Municipalities which are really unable to meet their debt obligations in spite of all they can do, we suggest that the instalment may be readjusted to their resources and the period of repayment revised and extended suitably upto a period of 50 years under fresh agreement. In such cases the Government should secure a lien on the tax revenue of Municipalities accruing from the specific works financed by the loans. We are firmly opposed either to waiving the recovery of outstandings, or of treating any part of the same as grant-in-aid to the Municipalities. Any undue relaxation would, we consider, undermine faiths in democracy and capacity for self-rule.

7.6. Grant of loans to Municipalities for their welfare and civic activities is part of a wider question of State assistance to Local bodies which, should, in our opinion, conform to a general pattern. This pattern of assistance should be consistant with the scheme of Central assistance to States, since in a sense State assistance to Local bodies is a continuation of the same process as that by which the State in its turn is obtaining assistance from the Centre. The State has been urging the consolidation and rationalisation of terms of repayment of Government of India loans. The State Government should, therefore, be prepared to extend the same terms to the Local bodies. As pointed out at the commencement of the chapter, there is no uniformity at present in regard to rates of interest or the terms of repayment of loans given by the State. There is, in our view, no justification for the grant of interest-free loans or for a variation in rates of interests charged for the same or similar purposes. A rationalisation of interest rates is called for. The Official Committee's firm recommendation is that interest rates of all loans whether to Local body or to industry, should not be less than 6 per cent. In our opinion, rates of interest should be adjusted to the purpose for which the loan is given, and that it should be at least one per cent higher than the average of the Government borrowing rates. This should apply to Water Supply and Drainage Schemes of Municipalities. In other cases the rate may normally be six per cent as suggested by the Official Committee. In regard to Industrial loans, the rates of interest should be the same as those charged by the State Industrial Finance Corporation. Penal rates of interests may be enhanced by 50 per cent and once levied should not be waived. In regard to future, it is suggested that total amount of loans given by the State may not in any year exceed a third of total borrowings in that year and that there should on equitable distribution of the available finance for the several objects for which loans are sought. The general rule should be that, except in regard to educational loans and special cases, loans given by the State should be to institutions only and not to individuals. Thus the scheme of Takavi and Land Improvement Loans, under which the State has to deal with applicants, should be replaced in future by co-operative loans. The significance of Takavi loans has greatly diminished with the expansion of agricultural credit under the Reserve Bank Scheme of loans to cultivators through the net-work of co-operative societies in the country. Takavi loans are given in such small amounts that they are of little or no benefit to the cultivators but are on the other hand liable to be misused or frittered away. The procedure followed in the distribution and recovery of Takavi and Land Improvement loans is itself the cause of abuse, malpractices and heavy outstandings. While direct financial assistance by the Government to the needy peasant on reasonable terms was necessary in the past, in the absence of alternative sources of credit, it has, with ample credit facilities now made available under reasonable terms to the agriculturists through co-operative societies, become out-moded and is largely superfluous. The scheme should be scrapped and the provision in the State Budget for Takavi and Land Improvement loans discontinued. All agricultural credit, both short-term and medium, should, in our opinion, be channeled in future through co-operative societies. All long-term loans, such as agricultural and land improvement loans, may in future be given by the State Mortgage Bank. The results of the grant of industrial loans under the State Aid to Industries Act so far are not very encouraging. The procedure followed for the investigation and scrutiny of loan applications, and the selections of industries for the grant of loans are such that there is no guarantee either that industries will be benefitted or that the loans will be repaid. The Official Committee has observed that the main reason for the heavy outstandings of individual loans is " that sufficient care was not taken at the initial stages to see that the applicants had substantial property and that the industry could yield sufficient profits ". We feel that the personal responsibility of officers for defective investigation should have been enforced in all such cases. In cases in which outstandings were very heavy, as for example the T. Narasipur Silk Filatures, Ltd., the Government had to step in and take over the industry, and in other cases, such as the Mysore Chrome Tanning Co., the Mysore Spun Silk Mills, Kapila Textile Mills, for which the Government had given guarantees, no recoveries have been made and it has become necessary to take legal action. The Official Committee has suggested that there should be a better scrutiny of the loan applications under the State Aid to Industries Act in future and that all industrial loans above Rs. 10,000 be handled by the State Industrial Finance Corporation. We are of the opinion that the departmental handling of industrial loans has not worked satisfactorily. We suggest that all industrial loans for whatever amount be channelled in future through the State Industrial Finance Corporation, the provision in this behalf being transferred to the Corporation. We agree in the recommendations of the Official Committee that requests for (1) financial participation in industries and (2) guarantee of loans to private industrial concerns and individuals, be hereafter be left to the Finance Corporation.

7.8. Direct loans by the State to individuals, whether agriculturists or industrialists, being thus eliminated and replaced by loans through the appropriate credit institutions, the State will have in future only the responsibility to afford financial aid to the Local bodies. The demand for loans is mostly by the Municipalities. In almost every case of water supply and drainage schemes the resources of the Municipalities would generally be not sufficient to undertake these necessary but costly projects. The State has therefore to grant long term loans for such purposes to them. In doing so, however, care has to be taken in future to avoid the procedural defects that have resulted in the loans granted so far becoming outstanding, making their recovery a problem to the State Government. Under the agreements entered into with the Municipalities repayment of loans has to commence as soon as the expenditure on the works financed by the loans exceeds 50 per cent of the estimated cost. But in a large number of cases repayment has not commenced even though the works have been completed. This position has arisen due to the existing procedure under which the P.W.D. in charge of the works having to intimate the Municipalities concerned when the expenditure on the works exceeds 50 per cent of the estimated cost. Since this is rarely done, the procedure affords a convenient excuse to the Municipalities to postpone the repayment of the loans. Moreover, all the Municipal works are not done through the agency of the P.W.D. This unworkable rule should therefore be scrapped straight away. In agreeing with the suggestion of the Official Committee, therefore, we recommend that loans to Municipalities be made hereafter as a straight deal by revising the present defective procedure for payment of loans to them. But two safeguards are necessary to see that loans are not diverted for purposes other than those for which they are given, *viz.*, (i) the plan and estimate of the work to be financed by the loan is scrutinised by the P.W.D. and approved by the Government, and (ii) the loan is paid in two instalments, 50 per cent being paid to start with as soon as the work is put in hand, and the balance on production of certificate by the P.W.D. that the first instalment of the loan has been fully and properly utilised on the work. In case of some Municipalities, the amount of loan originally granted on the basis of abstract estimates is seen to have been subsequently enhanced by as much as 100 to 200 per cent when detailed estimates were prepared. Under-estimating having become all too common a practice, grant of loans on the basis of abstract estimates leads to saddling Government with future commitments and Municipalities with debt obligations in excess of their repaying capacity. To avoid these possibilities, we suggest that in future loans to Municipalities be granted only on the basis of detailed firm estimates, keeping in view the possible revision of rates in the course of execution. We suggest further that a ceiling limit be fixed (i) to the total debt liability of each Municipality at any time in relation to its financial position and repaying capacity, and (ii) to the maximum amount of loan which may be granted to any Municipality and for a particular purpose. We are further of the view, generally, that the financial assistance to be given by the State to Municipalities should in principle be in the form of loans only. The Municipalities seeking financial assistance from the Government must be required to improve their financial position. They may be encouraged also to raise Debentures in the open market with Government guarantee whenever possible on the pattern of such loans floated by institutions like the Land Mortgage Bank. In the case of future loans to Municipalities an agreement may be taken for the adjustment of their share of taxes, like the Entertainment Tax, Motor Vehicles Tax, towards the repayment of the loan. The aim is to make the Municipalities financially self-relient gradually and less dependent upon Government assistance for everything. If the Municipalities are to be enabled to achieve this object, they have necessarily to think of improving their financial position and augmenting their resources.

7.9. As found by the Official Committee, none of the Municipalities of ex-Mysore area have tried to improve their financial position by raising the rates and taxes upto the permissible limits. The Town Municipalities Act, 1951 permits taxation on buildings and lands up to 20 per cent of annual letting value, and the limit is slightly higher under the new Act. Of 65 items in the list of articles on which octroi is leviable under the Act, Municipalities have chosen to levy octroi only on about 15—20 articles. Though the levy of octroi depends on local conditions, apparently the Municipalities have not exploited this important source of revenue fully. There are also other promising items like shop tax, professional tax, cycle tax, etc., which the Municipalities have, with a few exceptions, not tapped so far. There is not the slightest reason why the Municipalities, who have heavy debt obligations to discharge, should hesitate to use the taxation powers given to them. We endorse the suggestion of the Official Committee that all such Municipalities should be required to raise the rates of property taxes upto the maximum limit and to earmark the entire additional receipts for the discharge of their loan liability. Since land and property values in urban areas have been raising steepy, there can be no difficulty in, or objection to, increasing the existing low Municipal rates on them upto the permissible limits. If this has not been done so far, it is due, as we have pointed out earlier, to the reluctance of the Municipal Councils to raise their taxation. The citizens, who desire to have existing civic amenities improved and new facilities created by Municipal administrations, should on their part be prepared to tax themselves adequately in return for the expected benefits. We therefore support the proposal of the Official Committee to include an enabling clause in the Town Municipalities Act for the levy by the Municipalities of a 20 per cent consolidated tax on properties, in lieu of separate taxes and cesses at varying rates now levied. We suggest further that the rates of tax on buildings and premises used for business, industrial and commercial purposes be higher than for other uses by 50 per cent.

7.10. If in the case of Municipalities an increase in the rates of property taxes alone will not improve their financial position sufficiently to enable loans to the State being repaid regularly, the Government should, as proposed by the Official Committee, have the right to ask the Municipalities to enhance the rates of other taxes and to levy new taxes also. Such a provision is necessary, since many smaller Municipalities have taken heavy loans and many more are likely to launch upon costy schemes of water supply and drainage and apply for loans, which they will not be in a position to repay by raising the rates only of property taxes. Further we recommend that the grant of future loans the Municipalities be made conditional upon their improving their finances to the point at which they would, consistently with their maintenance of an adequate standard of civic amenities and administration, be in a position comfortably to repay the loan applied for.

7.11. There is a grievance on the part of the people in the rural area that they are being required to pay a contribution for each and every facility given and amenity created, whereas the people living in the cities and towns are having benefits heaped upon them without even being asked to contribute anything. It would in the face of this criticism be difficult for the Government to continue to grant heavy loans to Municipalities, if the latter, after securing the advantages of a higher standard of civic life and comfort for their citizens, default in the repayment of loans obtained at the expense of people in the rural area. In the field of municipal taxation, as in State taxation, the incidence of burdens and benefits have to be balanced, so that if the latter is increased, there should be a corresponding rise in the former. A much higher level of municipal taxation than has been either achieved so far, or even contemplated in the Town Municipalities Act is necessary if the municipalities are to be in a position to create and maintain civic amenities and services up to modern standards. It appears to us that some of the municipalities in the old Mysore area are too small in size and resources to sustain a reasonable standard of civic life and administration. Many of them may even be benefited by being reconstituted as Town Panchayats under the Village Panchayat and Taluk Boards Act. The majority of the municipalities in the State are, in our view, functioning on the principle of least action and minimum service. They should be brought more largely into the sphere of public undertakings by a suitable enlargement of their functions and finances in the greater service of their citizens. Since undoubtedly the present standards of municipal administration and services are low, municipalities may be encouraged to improve the standards of civic life and take over public utilities such as dairy schemes, supply of gas produced from town refuse, compost manufacture, etc. Many municipalities have put up bus stands and are getting good income from their rental and leases of hotels. Municipalities may also consider constructing houses and rooms on vacant plots and letting them out and relieve congestion. Such undertakings offer wide opportunities for public service and increased revenue to the municipalities which they should welcome and seize. We recommend that the municipalities may for such remunerative purposes be freely permitted to raise debentures on Government guarantee. The additional receipts from such enterprises may be required to be earmarked for meeting the liability.

7.12. In regard to educational loans, we suggest that instead of the Government dealing with individual applicants and pursuing recoveries of loans given in each case, an Educational Trust be constituted in the State for the administration, grant and recovery of loans out of a fund the nucleus of which may be contributed by the Government. It should be possible to secure private donations upon terms and conditions analogous to those of the

Damodar Das Scholarship Scheme. The corpus of the proposed Trust may be worked as a revolving fund for benefiting as large a number of scholars as possible. The scholars who benefit by the scheme and are in a comfortable position, could be persuaded to share a part of their good fortune with those who need help, by returning the value of scholarships either in a lump or in instalments. An Education Trust of this type is, in our opinion, a long-felt want, and its creation will serve the object of giving educational loans more effectively and at much less cost to the State than under the present *ad hoc* system.

CHAPTER VIII—DEMOCRATIC DECENTRALISATION

8.1. One hundred and seventy-one Taluk Boards and 7,448 Village Panchayats have been constituted under the Mysore Village Panchayats and Taluk Boards Act, 1957. Above the Taluk Boards are the District Development Councils with purely co-ordinating and supervisory functions. This set-up of Democratic Decentralisation in the State, with its main emphasis upon the Taluk Boards, is on the general pattern of decentralisation recommended by the Balwant Rai Mehta Committee.

8.2. 'Panchayat Raj', as the scheme is popularly known, has as its goal the revival, under modern conditions, of the immemorial village communities of India. This object is sought to be attained by devolving on democratically organised local bodies as many local functions and duties of a development and welfare nature as possible that are now centralised in, and performed by, the departments of Government.

8.3. The Village Panchayats and Taluk Boards Act came into force in the State on 1st November 1959. The Act provides for the constitution of panchayats for a single village or group of villages with a minimum and maximum population of 1,500 and 10,000 respectively, these limits being relaxed in exceptional cases. Panchayats with a population of not less than 5,000, and a minimum income of Rs. 10,000, are to be constituted as Town Panchayats. The membership of panchayats ranges from 11 to 19, with reservation of seats for the Scheduled Castes and women. A Taluk Board is constituted for each taluk, with a membership of 15, if the population of the taluk is less than one lakh, and 19 if it is a lakh or more. Sitting members of the State Legislature, ordinarily residing in the Taluk, have the right of attendance and voting at the meetings of the respective Taluk Boards. District Development Councils are composed of sitting members of the Parliament and State Legislature residing in the Districts, together with Presidents of Taluk Boards, District Development Officers and a member of the Scheduled Castes and a lady, nominated by the Government.

8.4. The duties and functions of Panchayats and Taluk Boards are specified and laid down in the Act. Some of the functions are obligatory and the others optional. Generally all civic and development functions at the village level are entrusted to the Panchayat. The responsibilities and duties of the Taluk Board are fairly wide and include the following :—

(1) Maintenance of minor tanks and roads ;

(2) Upkeep of primary school buildings ;

(3) Maintenance of hospitals and dispensaries ;

(4) Control of epidemic diseases ;

(5) Regulation of fairs and festivals ;

(6) Vaccination ; and

(7) Organisation of conferences, training centres, agricultural and industrial exhibitions.

The supervision over the Panchayats, and the control over the working of the C. D. Blocks, in the Taluk are also vested in the Taluk Board. The Board may be required to take up the execution of Plan schemes to be entrusted to them. The District Development Council is only a coordinating and supervisory body and its functions are (1) to review and coordinate the work of Taluk Boards and to pass their budgets, and (2) to be in charge of Planning for the District.

8.5. In regard to finance, the Panchayats and Taluk Boards have been assigned respectively 30 per cent and 20 per cent of land revenue collections in the respective areas, with a further 5 per cent land revenue of the State to be given as grant for specific schemes and purposes. Apart from this, the Panchayats have obligatorily to levy property, trade, and professional taxes and may impose at their option, a tax on fairs, festivals, entertainments, and vehicles and a fee on markets, cart stands and for water supply maintained by them. Town Panchayats are authorised to levy octroi also. The Taluk Boards get in addition to assignment of land revenue, (1) a local cess at 12 nP. in the rupee on land revenue and water rate collected in their areas ; (2) part of expenditure on institutions such as dispensaries ; (3) funds required for the execution of plan schemes to be entrusted to them ; and (4) fees for licences which they are empowered to issue under the Act. They are further authorised to levy a duty on transfer of properties, and tax on animals brought for sale in the markets, in their areas. Thus the Panchayats and Taluk Boards have been assured of financial resources, to start with, in the form of assignment of land revenue, and are further empowered to levy a number of taxes and rates.

8.6. We are required to examine the effect of democratic decentralisation on the State's finances. Since 60 per cent of the land revenue collected is assigned to local bodies, the immediate effect is a reduction in State revenue to the extent of Rs. 250 lakhs a year, on the basis of the estimated land revenue proper of Rs. 380 lakhs in 1960-61. Though in 1959-60, the first year after the passing of the Village Panchayats and Taluk Boards Act, a token provision of only Rs. 16 lakhs was made under 'Assignment of Local Bodies', the full impact of assignment manifested itself in 1960-61 with the provision of Rs. 249 lakhs made in the budget of that year. On the assumption that land revenue will double itself after the revision settlement is completed throughout the State, and will stand at the level of Rs. 7½ crores, the share of local bodies under assignment will amount to Rs. 5 crores a year. This works out to an assignment on the average of a lakh of rupees to each Taluk Board, and of about Rs. 4,500 to each Panchayat. The State, however, stands to lose by this a sum of Rs. 5 crores a year under Land Revenue. But this is a calculated loss. It is loss only in the sense that the State Exchequer foregoes a part of the land revenue collections so that it may become revenue, or rather the nucleus of a fund, in the hands of local bodies to be utilised, alongwith the resources which they themselves can raise, for the uplift and development of the rural area of the State. In this view, the immediate loss to the State will, with the due implementation of the scheme, turn out to be an investment of a beneficial and productive nature in the long run. Whether this will happen or not depends firstly on the reaction of the local bodies to the ideals and objectives of the scheme, and secondly on the shape of the State Government's future policy in regard to it.

8.7. We see from an official statement that the elections to the Panchayats and Taluk Boards have all been held and that these bodies have framed their budgets and programmes of development and been meeting regularly. This looked like the scheme having got off to a good start. On enquiry, however, we learn that the local bodies have not either taken over their obligatory functions, or levied the compulsory taxes and rates, so far. It is learnt further that obligatory functions like maintenance of tanks, roads, dispensaries, school buildings, etc., have not yet been transferred to the local bodies but still continue to be discharged by the Government at the cost of general revenues. On a rough estimate, the expenditure on the obligatory functions of the local bodies which is being borne by the State is of the order of Rs. 60-70 lakhs a year. This position is anamolous and has to be set right at once. It is, in our opinion, as wrong on the part of the administration to withhold from the local bodies the functions and powers which already stand transferred to them under the law, as it is unjustified to burden the general revenues with expenditure which is not a legitimate charge upon it. The local bodies having come into existence should forthwith have been invested with the functions and duties they are required to discharge under the law. The delay on the part of the administration in giving effect to the scheme of the Act is a serious matter of which, we feel, due notice should be taken. The obligatory functions of local bodies should be transferred to them simultaneously at least with the payment of assigned revenue to them. When we suggested this being done, it was pointed out by the administration that there was nothing in the Act to link the performance of obligatory functions by the local bodies with the question of payment of land revenue assignment to them. We entirely fail to appreciate either the argument or the attitude of the administration in quoting the letter of the law to evade its spirit. Since the payment of assigned revenue to local bodies is mandatory, it is equally mandatory to let them assume their obligatory responsibilities and duties. It is high time that this is done. The local bodies should be called upon to take over these functions from the respective departments by a specified date, with the intimation that any expenditure incurred by the State in respect of such functions thereafter by the State has to be borne by them and will be deducted from the assigned revenue payable to them.

8.8. No doubt for the discharge of these functions, Panchayats ought to have the necessary minimum staff, to start with. Government have recently constituted a separate cadre of Panchayat Secretaries as a Branch of Local Government Service. The cadre consists of three grades, viz., Grade I Rs. 100 to 200, Grade II Rs. 80-140 and Grade III Rs. 65-90, for Panchayats with annual incomes of over Rs. 25,000, Rs. 15,000 to Rs. 25,000 and below Rs. 15,000 respectively. All posts in the cadre are categorised as Class III of the State Service. It is provided further that the posts of Grade III Panchayat Secretaries be held by such Village Accountants of the Revenue Department as are appointed *Ex-Officio* Panchayat Secretaries, and they shall discharge their duties as Panchayat Secretaries subject to the directions of the Block Development Officer concerned. We have no data as to the number of Panchayats under the three different categories. The total number of Panchayats in the State being 7,448, the number of Panchayat Secretaries to be appointed will be equal to that number. If the recommendation we have made already that a Panchayat should be constituted for a minimum population of 5,000 is accepted, the total number of Panchayats may be considerably reduced. Meanwhile however stipendiary village officers are to be appointed in place of hereditary Shanbhogs. The stipendiaries are whole-time officials of Government at the village level but will not have sufficient work throughout the year, as revenue work at the village level is of a seasonal nature. In the interests of economy and of integrating the development and revenue functions at the village level at least, we have recommended that the stipendiary village officers be made *Ex-Officio* Secretaries of Panchayats. This principle has been accepted partly in the provision now made in the C. & R. Rules for the appointment of Village Accountants as *Ex-Officio* III grade V. P. Secretaries. It is not clear, however, as to how the posts of Grade III Panchayat Secretaries are to be filled up, or if direct recruitment is going to be made for the entire grade. We are opposed to the duplication of staff at the village level by having whole-time stipendiary village officers for revenue work, and also whole-time officials as V. P. Secretaries. This certainly is avoidable duplication of expenditure. The appointment of whole-time V. P. Secretaries, along with whole-time stipendiary village officers, means the setting up of parallel cadres and organisations at the village level for which we see no justification or need. We have already remarked about the staff-intensive nature of the Block Development organisation.

The creation of a separate cadre of Panchayat Secretaries will mean making the village level administration also needlessly staff-intensive. As the number of Village Secretaries to be appointed will be large, the expenditure is bound to be enormous. If the pay of the Secretaries is to be a charge on the panchayat funds, the expenditure on the scales of pay now sanctioned will be a very heavy burden to panchayats. We feel it would not be proper to burden the panchayats with high administrative costs at the very inception of the scheme. If, on the other hand, the cost of the cadre of Panchayat Secretaries is to be borne by the State, there would be even less justification for the expenditure, considering that the Government has at the same time to appoint a whole-time official agency at the village level. In these circumstances we are firmly of the opinion that the Government should reconsider their decision to constitute a separate cadre of Village Panchayat Secretaries. We recommend that, to start with at least, stipendiary Village Accountants should be appointed as *Ex-Officio* Panchayat Secretaries. Since the appointment and training of the stipendiary Village Accountants may take some time, we suggest as a temporary arrangement that existing Shanbhogs, in areas where the system of stipendiary Village Accountants is not in force, be made Panchayat Secretaries with a suitable monthly allowance for the work. Should the Shanbhog not agree to take up the work, the question of entrusting it, till the appointment of stipendiary Village Accountants is made, to the Village Level Workers or the Village School Masters on payment of a small allowance for extra duties, may be considered.

8.9. The Taluk Boards require adequate staff and finance for the discharge of the large number of functions entrusted to them. It is understood that Taluk Boards are given one clerk each at present. This may be sufficient until the Boards take over their functions and begin to exercise their powers under the Act. The obligatory functions of Taluk Boards cover the maintenance of minor tanks, hospitals and dispensaries both human and veterinary, maintenance of roads and school buildings, etc. For each of these functions technical as well as clerical staff would be required and necessary finances have to be provided also. For the present we consider that the Taluk Boards should utilise the technical and development staff in the C.D. and N.E.S. Blocks, without asking for more staff. The departments of Government concerned should, however, make out a Talukwise list of the functions and works to be handed over to the respective Taluk Boards and indicate the staff and allotments if any, to be transferred to the Boards, over and above the staff and resources already made available in C.D. and N.E.S. Blocks. The Development Commissioner should on the basis of these lists arrange to transfer the functions and related staff to the Taluk Boards in an orderly fashion. We suggest that a date-line for completing the process of transfer of functions and staff by the departments to the local bodies officers should be fixed and enforced.

8.10. With a view to see for ourselves how the newly constituted Taluk Boards were functioning, we took the opportunity of our tour in the State to visit a typical Taluk Board Office and discuss the problems of the Board with the President. The President of the Board brought to our notice the difficulties experienced for want of sufficient and timely allotment of grants. It could appear that a lumpsum provision is made in the Budget and that Heads of Departments are taking a long time, extending over several months, to make District allotments, so that payments for works got done against these allotments by the Taluk Board are unduly delayed. This is a serious handicap to the newly-created local bodies which with a little trouble and attention on the part of the administration could easily be removed. Since provision is made in the Budget, it should not take longer than a week or a fortnight, after the Budget is passed, for the Heads of Departments concerned to distribute the grants to the Districts. Since grant-in-aid to local bodies will be an important feature of local administration, the success of the scheme of democratic decentralisation is to a great extent dependent on the adoption of a proper procedure for making the funds allotted available to the local bodies with the least practicable delay. This is a sufficiently important matter to be looked into by the administration in consultation with Finance. To obviate delay, and to make the distribution of grants to local bodies automatic, we suggest that, instead of making a lumpsum provision in the Budget as at present, Districtwise allotments be made on the actuals of previous years and included in the Budget. If, however, it is considered that Heads of Departments should be invested with discretion in regard to allotments, their proposals in this behalf may be obtained in advance, alongwith the departmental budget estimates and provision of 75 per cent of proposed allotment for each District may be included in the budget, with a lumpsum provision to cover the balance of 25 per cent for all the Districts, which may be left to be distributed by the Heads of Departments in their discretion.

8.11. The assignment of land revenue to Panchayats and Taluk Boards is sufficient to meet the expenditure on their obligatory functions to start with. But we anticipate that it would very soon become necessary for them to supplement assigned revenue with additional resources by imposing some at least of the taxes and fees which they have been empowered to levy under the Act. To the best of our information, none of the local bodies have levied taxes and rates under the Act so far. They should be required to levy the compulsory taxes at least within a specified time, say one year, if they have not done so already. They may further be encouraged to improve their financial position by making use of the fairly wide taxation powers conferred on them. But even the maximum resources that the local bodies may raise may not, in our estimate, be sufficient to cover the cost of all the functions and duties to be taken over and performed by them, and they have to be helped through grants by the Government and also by the transfer of adequate resources with every additional responsibilities and duties to be entrusted to them. We have already recommended the payment to the local bodies of proportionate receipts from the Maintenance Cess which we have proposed should be levied under the Irrigation Act. Till this item of revenue materialises, Taluk Boards have to be financially helped to meet the expenditure on the maintenance of minor tanks to be taken over by them. We suggest that a certain percentage of the provision in the budget in this behalf be pooled and out of this a share, proportionate to the number of tanks maintained by each Taluk Board, be given as grant. A special grant may also be given whenever the expenditure under this item by a Taluk Board in a year exceeds the basic grant. In regard to roads to be maintained by the Taluk Boards, they have to be given a grant sufficient to cover their upkeep up to a certain standard. Under the Madras Panchayats Act, 1948 Local Road grants at the rate of 40 nP. per head is made to Panchayat Unions for the maintenance of roads. In our opinion, mileage, instead of population, is a better basis for road maintenance grants. We recommend that the Taluk Boards be paid a grant of Rs. 200 per mile of rural roads to be taken over and maintained by them, subject to certificate by the P.W.D. that the expenditure incurred on the road is not less than the grant given. Primary Education and Public Health in the State may be handed over to the Taluk Boards, as in the Madras. Ninety per cent of the budget provision under Primary Education, along with the provision for maintenance and upkeep of primary school buildings, may be allocated to the Taluk Boards, in proportion to the existing expenditure in each Taluk, with however a corresponding reduction in the amount of cess payable. With regard to the Public Health dispensaries and Veterinary Institutions, 50 per cent of the maintenance expenditure by Government at the existing level, in respect of each institution may be given as grant, on condition that the amount should be earmarked for the purpose for which it is given. The contribution now being made by the municipalities towards the maintenance of dispensaries may also be made payable to the Taluk Boards after they take them over. If any Plan scheme is to be entrusted for execution to the Taluk Boards, the full provision for the same, together with the requisite technical staff, should be placed at their disposal. By way of incentive to the local bodies to increase their tax resources, matching grants, equal in amount to the tax collected above a certain level in a year may be given. To enable the Boards to raise the "peoples' contribution" for works of public utility, a grant-in-aid up to 33 1/3 per cent of the cost of the completed work may be made available to them. As far as possible public utility works to be undertaken by local bodies should be such as can conveniently be dovetailed into their regular programmes of obligatory works or into the plan schemes that may be entrusted to them. There should, we consider, be a ceiling limit to the total amount that may be given in any year as grant to a local body. The limit should in our view, be Rs. 10,000, or the total tax revenue of the local body concerned, whichever is less. As a safeguard against the locking up of funds with local bodies, or diversion of the same for other than approved purposes, rules should be framed to regulate the payment of the aforesaid grants to local bodies so that only so much money as is actually required at particular stages of work or expenditure is made available to them on the certificates of Controlling authorities. Audit of local fund accounts should be tightened up and conducted systematically as a check against possible irregularities in expenditure and misuse of funds. The transactions relating to each Government grant should be subjected to detailed audit to see that the moneys are properly spent and utilised for the purposes for which they were given.

8.12. In view of the devolution of functions and powers on the newly-constituted local bodies, we wished to have an idea of possible savings in the State expenditure as a result of democratic decentralisation. Our enquiries indicate, however, that instead of savings, decentralisation of authority to local bodies is likely to involve an increase in State expenditure, at any rate in the initial stage. Though the State has devolved certain functions and powers of purely local significance upon local bodies, the responsibility for the same, and for their proper discharge by the local bodies, rests in the last resort with the State. The State has to transfer practically the entire provision in respect of each decentralised function to the local body concerned and also to supplement the resources of the latter by means of grant-in-aid, while incurring further expenditure on the supervisory and controlling staff. All this is necessary if the scheme is to be worked successfully and the State relieved of responsibility for local development which is best left to the initiative and resources of the people in the respective localities. Only so can the State administrative machinery, which is becoming complicated and over-centralised, be simplified and made to function effectively and economically and enabled to concentrate on what may be called State functions, and major projects which it alone can take up and carry out. Democratic decentralisation implies the shifting of decision-making in matters of local concern and interest from the level of the State Government to the local level. The difficulty in the past in devolving these functions on the local level was the absence of local bodies competent to shoulder the responsibility, due to lack of finance, personnel and organisation. Now that democratic bodies at the local level have been set up with adequate powers and functions, there should be no hesitation on the part of the State to transfer all functions of purely local significance and import, now discharged by Government departments, including the implementation of local schemes included in the Plan, to the local bodies. The recent assumption by the State Government of maintenance of the District Board roads, and the formation of rural roads, is, in the above context, quite contrary to the accepted principle of democratic decentralisation. We are firmly of the view that these functions fall clearly within the province of local bodies and should be returned to them. Accordingly the District Fund roads should be transferred to the respective Taluk Boards with the allotted grant therefor. Wherever a function is transferred from the Government Department to a local body, proportionate staff pertaining to the function has to be transferred also. But it may happen that in doing so the existing staff in the Government Department is allowed to continue even though the function has been transferred. Thus the possibility of duplication of staff and expenditure arises which should not be allowed to occur. We therefore suggest that care should be taken to see that with each transfer of function with staff to a local body, there is a corresponding reduction of staff in the Government Department concerned.

8.13. We go a step further and recommend that the present activities and functions in the several Government Departments be reviewed and classified broadly under the State and Local Sectors. Functions and activities which are of common concern and interest to the State as a whole, all statutory powers and functions and the running of major institutions and projects and schemes serving the entire State or more than one District, may be regarded as State functions. The rest, which are of interest and benefit only to the people up to the District level and below, including plan schemes of local nature estimated to cost Rs. 5 lakhs and less, may be classed as Local functions and freely devolved on the appropriate local body at the District, Taluka or village level. While in the present scheme of democratic decentralisation in the States the emphasis is upon the Taluka board there is, in our opinion, necessity to establish a strong local body at the District level, in place of the present District Development Councils, which are only reviewing and co-ordinating agencies. In the Andhra Pradesh, where the scheme of Panchayat Raj is claimed to have made head way and progressed well, the accent is upon the Zilla Parishad, which has specific development functions and powers in addition to these of co-ordination and review. In the Ex-Mysore area and other integrated parts of the New State, except Coorg, District Boards were functioning previously and made note-worthy contributions to local development, in addition to serving as training ground to non-officials in the art of Local-self Government. We feel that the district level is not sufficiently emphasised in the scheme, and that the District Development Council should be made the prime democratic local body in the State, with not only control and supervision over the Taluka Boards and Panchayats in the Districts but with wide functions and powers to take up and execute all development works and plan schemes up to the District level. This would relieve the State administration of the need for detailed supervision and control over thousands of Panchayats and a large number of Taluka Boards. We visualise in the future the State Government confining itself to statutory functions and in the development sphere, to overall planning guidance and supervision and management of State concerns, institutions and industries only, leaving the execution of development schemes, other than major projects, and all other functions of local interest to the local bodies. This we consider should be kept as the goal of democratic decentralisation to be attained progressively by larger delegations of functions and authority, now concentrated in the Government Departments, on Local bodies as they grow in strength and become capable of exercising wider powers and assuming greater responsibilities than at present.

CHAPTER IX—SUMMARY OF RECOMMENDATIONS AND CONCLUSION.

9.1. We may now summarise the recommendations made by us in the previous chapters. It is not necessary to repeat the minor and less important suggestions made and views expressed by us, which may be referred to in the relevant context in the Report. The more important of our recommendations and view-points are recapitulated and summarised below:—

1. The main task of the Committee is to find Rs. 43 crores for the Third Plan. Incidentally additional expenditure on account of Pay Revision has to be covered. The Committee's approach is that (1) economies should cover and off-set the additional expenditure on Pay Revision to the extent possible, and (2) fresh taxation may be considered only to the extent of the shortfall, after maximising revenue from the existing taxes.

2. The State Government has since the last Budget taken up many commitments outside the Plan. This has reduced the resources for the Plan. It is imperative that the State Government takes up no more non-Plan commitments and that it considers the entire resources available as earmarked for the Plan.

3. The rate of the growth of State economy under the two Plans is three and half per cent. The two Plans have not succeeded in accelerating the growth of the State economy to come up to the all-India level. *Per capita* income in the State continues to be lower than the all-India average by more than four per cent.

(i) Food, clothing and shelter being the primary requisites of life, continued food shortage, decline in cloth production, and lack of housing facilities in the country, are the measure of the deficiencies and short-comings in the Plans which are still to be made up.

(ii) Improvement in the standard of life and economic well-being under the Plans is of limited extent only, but the economy of the State has been strengthened by the creation of irrigation, power and industrial potentials.

4. Government should take the recommendations of Economy Committees seriously. A special machinery

should be set up in the Secretariat for a quick study of this Report and speedy implementation of measures recommended according to a phased programme.

5. (i) Economy in Plan expenditure is possible. Economy will help Plan performance and speed it up rather than reduce its size.

(ii) A phased programme should be drawn up in terms of physical targets to be achieved each year.

(iii) A special unit may be constituted in the Finance Department for speeding up financial sanctions and making funds available in time for priority schemes.

6. (i) Although development expenditure represents 75 per cent of total revenue expenditure in the State, development expenditure outside the Plan is nearly double the Plan expenditure.

(ii) Non-development expenditure constitutes 27 per cent of the total revenue expenditure and has been rising at the rate of Rs. 2 crores per year since States Reorganisation.

7. (i) The administrative set-up in the State is basically sound, but the defects in its present working have to be rectified.

(ii) A permanent high powered Commission, outside the Governmental organisation, to be designated Economy and Evaluation Commission may be appointed for the continuous and objective evaluation and review of Plan targets and performances, and for advising Government regarding economies in public expenditure.

8. Evaluation of Plan progress and performance should be in terms of physical achievement, instead of in terms of expenditure only.

9. The Planning Commission has advised State Governments to constitute a Committee for suggesting reduction in construction costs. An inter-departmental Committee may be set up for the purpose in the State.

10. (i) Economy in expenditure must be made an integral part, and a continuing activity, of the administration.

(ii) Heads of Departments should assume full responsibility for departmental expenditure and be held accountable for any amount overspent or misspent in their Departments.

(iii) Heads of spending Departments should be provided with competent Financial Advisers or Accounts Officers.

11. A proper phasing of retrenchment, so as to correspond with the phasing of the Third Plan, would release both resources and personnel, and help the implementation of the Plan.

12. (i) A re-drawing of the administrative map of Mysore on a rational basis is necessary, with due regard to geographical contiguity, trade and cultural affinities, facilities for communication and public convenience.

(ii) The existing 4 administrative Divisions, 19 Districts and 171 Talukas may be reorganised and reduced to 3, 15 and 120 respectively.

(iii) Bifurcation of Bangalore District into a City and rural District is recommended.

(iv) Reorganised Divisions, Districts and Talukas, should be the basic administrative units for all Departments of Government.

13. There is public dis-satisfaction with the administration in the State on the score of (i) delay and (ii) corruption. Delay and corruption arise together under an administration, which is insufficiently integrated supervised and inspected. The grass root of both delay and corruption is the reversal of roles of the officer and subordinate.

14. Recruitment to Government service in future should be through a common competitive examination. This should be followed by a period of probation of one year in the case of clerical grade, and two years in the case of superior grades, of appointment. During the period of probation the recruit should be given combined institutional and practical training.

15. Tests for direct recruitment of Gazetted Officers should be made sufficiently stiff and rigorous.

16. An Administrative Training Institute on the lines of the Indian Administrative Training Institute, Hyderabad, may be set up at Bangalore for training gazetted officers.

17. The present size of Sections in Government offices is too large for effective supervision. The optimum size of a section should normally be 4 to 5 officials under a Superintendent in the Secretariat and allied offices. In the offices of Heads of Departments and those at lower levels, the size of the section may be larger.

18. It is only by organising the Government offices on the basis of compact and closely-supervised Sections, and fixing the responsibility severally and jointly for a definite amount of work to be turned out, that real improvement in the State Administration may be expected.

19. Inspection by Gazetted Officers of the work in their offices should be a monthly affair, the last day of the month being set apart by every Gazetted Officer to inspect his own office.

20. Persons of proved inefficiency in Government service should be given the option to retire on suitable terms.

21. Simplification of the financial and departmental procedures in regard to payment of bills for works and supplies is necessary.

22. Instead of Financial and Accounts Codes attempting to regulate every small detail, they should confine themselves to laying down general principles and safeguards, leaving it to the officers to apply the principles in individual cases.

23. Existing forms, registers and returns in all Departments should be reviewed and obsolete and unnecessary ones eliminated.

24. The principle of "level-jumping" may be introduced in the Secretariat and extended to other offices gradually.

25. Subordinate officers may be required to send their reports in duplicate, one copy of the same being returned by the Head of the Department with orders thereon.

26. Use of standardised and printed forms for specific items of routine work will expedite work in all Government Offices.

27. The size of (*a*) State Budget, (*b*) State Gazette, and (*c*) Civil List, may be reduced.

28. The law relating to Land Acquisition should be simplified.

29. Not only should powers be decentralised but powers delegated should actually be exercised.

30. If an officer consistently fails to exercise the higher powers vested in him, he should be transferred to a position of lesser responsibility.

31. Exercise of constituted powers and functions by officers at their own levels should not be interfered with by higher officers or by the Government.

32. Tendency for Gazetted Officers to rely on subordinate support and to leave the initiative to come from below, should be discountenanced.

33. Policy co-ordination and review functions, and administrative work, now combined at the Cabinet level may be bifurcated and the latter devolved freely on the Secretaries to Government.

34. Further delegation of financial powers to Heads of Departments is not necessary.

35. (i) More administrative powers should be delegated to Heads of Departments to obviate unnecessary and frequent references to Government.

(ii) The delegations recommended in this behalf by the Andhra Administrative Reforms Committee may be adopted.

(iii) Power to accord administrative sanction for Plan schemes up to Rs. 10 lakhs may be exercised by Secretaries to Government in the Administrative Departments.

36. (i) Purchase requirements of all the Government Departments should be centralised and purchases made only through the Stores Purchase Committee.

(ii) The *ad hoc* organisation set up for the Sharavathy Valley Project in the Secretariat should be wound up at once.

37. Heads of Major Departments may be declared as 'Direct Demanding Officers' of the Indian Stores Department and enabled to enter into I.S.D. rate contracts direct.

38. As a rule, no officer of the General Administration, Public Works, Forest or other Major Departments be placed in independent charge of a District until he has put in at least 10 years of service, without prejudice, however, to normal cadre promotions.

39. Deputy Commissioners of Districts should be relieved of all unscheduled items of work and left free to attend to legitimate duties.

40. More than one Deputy Commissioner for a District is neither necessary nor desirable. The appointment of Additional Deputy Commissioner, if made, should be only for a specific period and as a temporary measure.

41. Upgrading posts and giving *pro-forma* promotions, should be strictly regulated in public interest and not be resorted to for conferring personal benefits on officers.

42. (i) The work-load of clerks in the Secretariat and allied offices as well as in the offices of the Heads of Departments and in the District offices, be determined on the average at 10 receipts per day per clerk. At the Sub-division and Taluka level, the work-load may be fixed at 8 and 7 receipts per day per clerk, respectively. (ii) In the case of an office where a lower standard of work-load is found necessary, special orders of Government for the same should be obtained.

43. The working of allied and related Departments in the Agriculture and Industries groups should be co-ordinated under the overall control and supervision of a single authority for each group. The appointments of an

Agricultural Development Commissioner and of an Industries Commissioner is suggested.

44. (i) A uniform and simple staffing-pattern should be evolved for the Major and Minor Departments of Government respectively. (ii) Intermediate offices and grades of appointments should be eliminated or minimised.

45. Ultimately the development and the revenue functions should be combined and integrated at all levels of administration.

46. (i) The minimum population of a Village Panchayat may be fixed at 5,000 generally, and at 2,500 in the Malnad. (ii) Stipendiary Village Accountant may be appointed for a group of villages with a minimum population of 5,000, co-extensive with the jurisdiction of a Village Panchayat, and made the *ex-officio* Panchayat Secretary.

47. Some means should be found to check the 'migration' of technical personnel trained in the Medical, Engineering and Veterinary Colleges in the State.

48. (i) The policy in regard to Class IV servants in the State should be to reduce their number progressively in the proportion of one such employee to ten of total staff in each Government Department.

(ii) The category of Home-orderlies may be abolished altogether, giving the officers now entitled to Home-orderlies a suitable allowance as in Madras.

49. (i) Transfers and postings of officers should be governed only by public needs and cause minimum disturbance of staff in position.

(ii) General transfers in all Departments should be planned in advance to avoid dislocation of work in offices and hardship to officials.

50. (i) Promotions within the subordinate grades may normally be made on the principle of seniority. Merit, and not seniority alone, should be the criterion for promotion to the Gazetted grade.

(ii) Service Rules may be amended to provide for accelerated promotion.

(iii) The existing rule as regards transfer of officials after 3 years of service should be strictly followed. But transfers once ordered should under no circumstances be cancelled.

(iv) In the case of technical personnel posted to Projects and Industries, officers should not be disturbed for a period of 5 years or till the special work on which they are engaged is completed.

51. (i) The present method of assessing the work of Government employees may be replaced by a quarterly appraisal of work on what is known as 'ABC' system, the system being introduced in the Secretariat to start with.

(ii) Officials should be required to maintain duplicates of their Service Registers.

52. (i) Leave Rules and method of calculating leave allowance should be further simplified.

(ii) Leave Reserve up to 5 per cent of the permanent staff in each office may be created and reservists trained as alrounders.

53. A roll of able-bodied pensioners, willing to do service, may be maintained and services of such pensioners utilised for duties which do not require wholetime officials.

54. (i) A 20 per cent cut in the present level of expenditure on T.A. is feasible and should be enforced.

(ii) A financial limit to the amount of monthly T.A. to officers may be fixed.

55. (i) In view of recent pay revision and grant of liberal retirement and other service benefits for all categories of Government employees, the need to give them allowances in addition, requires to be carefully examined.

(ii) Grant of Special Pay, Deputation, Duty, Conveyance, Project, and non-Practising, allowances may be regulated on the principles suggested.

56. (i) Expenditure under Contingent items in the Secretariat and other Government offices should be kept down on the lines indicated.

(ii) A 20 per cent reduction in the present level of allotment under Contingencies may be made and enforced as a permanent measure of economy.

(iii) The concessions and privileges given to Government servants in particular departments should be reviewed and such of them as are not connected with the discharge of official functions or are not necessary in public interest, may be withdrawn.

57. (i) It is not generally necessary to provide touring officers with Government conveyances.

(ii) Normally officers drawing a pay of less than Rs. 500 p.m. should not be required to maintain motor cars, but those with intensive touring work to do, may be granted advances for purchasing Motor Bicycles or Scooters.

(iii) Officers drawing a pay of more than Rs. 1,000 p.m. may be helped to purchase and maintain motor vehicles for touring, under liberalised terms of motor car advance.

(iv) Rates of T.A. to officers travelling in their own cars should be liberalised.

(v) General-purpose Government vehicles should be pooled and placed under the control of a central authority in the State.

(vi) Minimum number of vehicles may be maintained for Projects and Government industrial concerns for the use of Technical Committees and Teams and of high dignitaries. They should not be allowed to be used by officers for normal duties.

(vii) Repair and reconditioning of Government vehicles should be centralised; petty repairs being got done through Service Stations of the Road Transport Corporation locally, wherever they exist.

58. (i) Forty per cent of the working time of senior and middle level officers is taken up by meetings and conferences.

(ii) A definite policy in regard to holding of official conferences and meetings, and for regulating the attendance of officers therein, should be laid down.

59. Necessity for the continuance of *ad hoc* Committees and Boards, like the Small Scale Industries Board, Coir Board, etc., should be reviewed.

60. There should be a Central Controlling authority at the State level to watch the expenditure and proper utilisation of State grants given to bodies like the Khadi and Village Industries Board.

61. (i) The basic reform in the Secretariat is the reconstitution of the Section into a compact working group, of 4 Junior Assistants and a Superintendent, in charge of an Under Secretary. (ii) This pattern may be extended throughout the Secretariat except F.D. and L.D. (iii) The reorganisation of the Secretariat as a whole into 75 such working groups is recommended. (iv) Sections may be classified as Special, Normal and Light.

62. (i) Reduction in the number of Junior Assistants, Stenographers, Typists and Superintendents in the Secretariat is proposed.

(ii) Abolition of the following gazetted posts in the Secretariat is recommended:—

(1) Secretaries to Government, Home, Planning and Agriculture and Forest Departments.

(2) Additional Secretaries.

(3) Technical Adviser, Officer on Special Duty, and 2 Deputy Secretaries, Public Works.

(iii) The number of Deputy Secretaries may be reduced from 18 to 9 or 10 and of Under Secretaries increased from 56 to 70.

63. A system of pre-Budget scrutiny with delegation of detailed financial scrutiny to Administrative Departments in the Secretariat is recommended.

64. Budget Section in the Secretariat should be constituted as an independent unit of Finance Department.

65. O. & M. Division in the Secretariat may be reorganised to deal with administration and service matters of all Departments and to bring about inter-Departmental understanding and co-operation.

66. Administration of all taxation measures like Commercial tax, Agricultural Income-tax, Excise, now attended to in the several Secretariat Departments, be transferred to the F.D.

67. The Statistical Department should also come under the F.D.

68. The administration of the Forest Department may be transferred to the Revenue Secretariat.

69. The expenditure on Government Hospitality should be curtailed and restricted to Rs. 2 lakhs a year and the scale of official entertainments, lunches and teas reduced to austerity levels.

70. (i) It is suggested for the consideration of Ministers and Deputy Ministers that they accept self-imposed limits to touring and to expenditure on their personal staff, contingencies and upkeep of gardens, etc., and set an example and give a proper lead for economy in Government expenditure. This is for the consideration of the Speaker and Chairman of the Mysore Legislative Assembly and Council respectively also.

(ii) The main concern of Ministers should be with matters of policy. Execution should be left to be carried out by the Departments.

(iii) In the Committee's considered view, a Cabinet with 8 Ministers, without any Deputy Ministers, seems adequate for the State.

71. (i) An alteration in the present composition of the State Legislative Council so as to make it a true Second chamber is desirable.

(ii) Suitable staffing-pattern for the Legislature Secretariat, in keeping with the seasonal nature of its work, may be devised.

(iii) There is considerable scope for reduction in the scale of amenities provided at the Legislators' Home and of expenditure incurred on certain items during the sessions of the Legislature.

72. The posts of Deputy Tahsildars in the Hyderabad-Karnatak area are superfluous and may be abolished.

73. Future jurisdiction of Revenue Inspectors may be such as to correspond to a Development Block. Revenue Inspectors may be entrusted with Mutation and Phodi work.

74. The new Office Procedure may be given up and the Tottenham system restored.

75. The number of Deputy Commissioners for the Abolition of Inams may be reduced from 4 to 2 and that of Special Tahsildars reduced in the same proportion.

76. The scheme of Consolidation of Holdings in the Belgaum Division may be discontinued.

77. The two posts of Deputy Commissioners for Land Records and Survey Settlement may be combined into one.

78. The Jeep Station Wagon and 4 Jeeps allotted to the Land Records Department may be withdrawn.

79. Photo-copying system in the Registration Department may be extended throughout the State.

80. The whole-time post of Superintendent of Stamps, and the special staff in the Stamp Commissioner's Office, may be abolished.

81. The Food Supplies Department may be wound up from 1st April 1962 and the residual work transferred to the respective Deputy Commissioners of Districts.

82. The two posts of Gazetted Assistants in the Excise Commissioner's Office may be clubbed into one, and establishment in the Office proportionately reduced in view of recent extension of Prohibition to three more districts.

83. Fifty per cent of II Division Clerks in the Office of the Excise Superintendents, Gulbarga and Raichur may be retrenched.

84. The posts of Assistant Superintendents of Excise in the Districts of Gulbarga and Raichur may be abolished.

85. The District Excise Officer at the Hospet Distillery may be replaced by a Senior Excise Inspector.

86. Excise functions performed by the Excise Department in the Prohibition areas should be transferred to the Police Department.

87. In view of the policy of total prohibition in the State, a phased programme of liquidation of the Department should be drawn up and put into effect at the appropriate stages.

88. (i) The Office of the A.C.T.O., Harapanahalli, may be closed and the work redistributed.

(ii) Increased work-load for A.C.T.O.s and reduction in their number is suggested.

(iii) The number of Sales-Tax Inspectors is large and should be reduced.

89. Strengthening of R.T.Os' Offices and Inspectorate in the Transport Department is necessary.

90. Reduction of certain posts of Accounts Superintendents and Stenographers in the Transport Department is suggested.

91. The Department of Anti-Corruption Measures in its present form may be wound up, and in its place an 'Investigation Cell' on the lines of the 'X' Branch of the Government of India be set up with a D.I.G., and placed under the Chief Secretary.

92. Nomination of officers in each Department as Vigilance Officers, for holding departmental enquiries, is suggested.

93. Technical Audit (P.W.D.) Cell may be taken out of the Anti-Corruption Department and attached to the P.W. Department in the Secretariat.

94. The Special Team constituted for booking irrigation demand may be strengthened and made permanent under an officer of the status of a D.C. The Cell may be transferred from A.C. Department to the Secretariat and placed under the Finance Secretary.

95. The functions under various Labour Acts should be combined and entrusted to Labour Inspectors with a reduction of their number.

96. The number of Gazetted Officers in the Labour Commissioner's Office may be reduced to 6 and of Accountants to 3.

97. Reduction of staff in the Craftsman Training, and Employment Wings of the Labour Department is recommended.

98. Employment Exchanges may be restricted only to Bangalore, Mysore, Mangalore, Belgaum, Hubli and Gulbarga and those functioning in other places closed down.

99. The system of separate teachers for each language in schools may be modified by having qualified graduate teachers to handle languages in addition to other subjects.

100. The working of Basic Education needs an impartial review by educationists and if the system cannot be efficiently worked, it should be scrapped.

101. Closing down of Multi-purpose Schools, in view of their unsatisfactory working, is suggested.

102. Radical change in the pattern of education in the Primary and Secondary stage is called for. The introduction of an integrated eleven year course is suggested, making the Head Masters of High Schools the Inspectors of Middle Schools, and the Head Masters of Middle Schools the Inspectors of Primary Schools and abolishing the separate cadre of Inspectors, including Subject Inspectors.

103. The post of Additional Joint Director of Public Instruction may be retrenched.

104. The Deputy Commissioner of Examinations may take over the work of the Educational Bureau and the post of Director, Educational Bureau, abolished.

105. Surplus Clerks and Superintendents in the Office of the Director of Public Instruction may be retrenched.

106. The transfer of the administration of Primary Education to the Local Bodies is recommended.

107. Possibility of enlisting private effort and encouraging it to take over High Schools in the State may be examined.

108. The position in regard to Work-charged Establishment, and temporary staff in the Forest Department requires careful scrutiny.

109. Proper work-load for Guards and Foresters should be fixed and superfluous hands retrenched.

110. The Joida Mills, North Kanara and the Tractor and Truck Section of the Saw Mills at Dandeli may be closed down.

111. Recruitment to Class III posts having been taken out of the purview of the Public Service Commission, proportionate staff in the Office of the P.S.C. may be retrenched.

112. The possibility of reducing the existing 3 Divisions to 2 in the State Ports Department may be examined.

113. All statistical work, other than accounting statistics and administrative statistics, which arise as a by-product of work in all Departments, should be transferred to the Statistical Department.

114. Statistical schemes of several Departments in the Third Plan should be deleted and be transferred to the Statistical Department and implemented centrally with minimum additional staff.

115. No separate Department of Tourism is necessary. It may be constituted as a Section of the Information and Publicity Department and made permanent.

116. Government Publicity at the State level is sufficient. Regional publicity may be discontinued and the staff merged, with 50 per cent reduction, in the Office of the Director of Information and Publicity.

117. The post of Joint Director of Information and Publicity is not necessary and may be retrenched, the work being redistributed among the Assistant Directors.

118. State Administration Report only may be printed. Printing of administration reports of individual Departments is unnecessary and may be discontinued.

119. All audit functions at the State level, other than statutory audit, should be centralised in the State Accounts Department. Co-operative Audit Unit should be integrated with the State Accounts.

120. The cost of Local Audit should be covered by audit fees.

121. (i) The State Accounts Department should be reorganised as the Central authority at the State level for supervising and regulating accounts work in all Government Departments.

(ii) A State Cadre of Financial Assistants, in the grade of Deputy Controllers, and of Chief Accounts Officers, in the grade of Assistant Controllers, may be created under the Controller, S.A.D.

122. Audit of Insurance Accounts may be entrusted, as before, to the Controller of State Accounts Department, or to a Chartered Accountant.

123. Personal Assistants to Heads of Departments may be *ex-officio* Controllers of Stationery and Forms in the respective Departments. The proposal to appoint two Inspectors of Stationery and Forms in the Stationery Department is supported.

124. The Publications wing of the Press and Stationery Department should be run on a Commercial basis.

125. Government publications should be made available through authorised book-sellers in the State on consignment basis.

126. The *Mysore Gazette* may be split up into :—

(*a*) a State Gazette, to be published centrally once a week, and

(*b*) Regional Gazettes to be published for each region once a month.

127. Cost of printing in the Government Press should be brought down to the level of that of private printing firms.

128. All text-books in Government Schools should be printed at the Government Press and made available at least a month in advance of the academic year.

129. Stationery Department should be treated as a service Department and the cost of supplies of stationery and forms made to Departments adjusted by the Accountant General out of Departmental allotments.

130. Palace Guards in the Police Department should be gradually eliminated and the scale of Treasury Guards suitably reduced.

131. Home Guards in the Belgaum Division may be disbanded.

132. The proposed Police Commissionery for Bangalore City and the scheme of raising Special Armed Police Force to Battalion strength, may be deferred during the Third Plan period.

133. A 5 per cent reduction in the District Police Force is suggested as a specific measure of economy.

134. A scheme of integration of prohibition staff with regular Police Force is suggested.

135. It is not necessary to have Deputy or Assistant Superintendents of Police at the Headquarters of each District. They should be stationed only in areas of high crime-incidence or where special problems of law and order exist.

136. A reduction in the number of Police Circles is suggested.

137. (i) The two schemes for training Jail Officers and rehabilitating prisoners may lie over.

(ii) The possibility of 10 per cent reduction in Jail expenditure on ration and dietary is suggested.

(iii) Certain reduction in the number and grade of clerical staff in the I. G.'s office is suggested.

(iv) The Jail at Bidar may be converted into District Lock-up.

(v) The number of teachers and House Masters may be reduced by 25 per cent.

(vi) There is scope for reduction in the number of Jail Warders.

(vii) The sale price of jail manufacture should be so fixed as to cover their cost, if not yield a small profit.

(viii) Jails should be made self-supporting on the lines suggested.

(ix) Enforcement of the Beggar Relief Act may be entrusted to the I. G. of Prisons with a wholetime Executive Officer.

138. (i) Fisheries Department need not be a separate Department but may form part of the Department of Animal Husbandry.

(ii) The post of Assistant Director of Fisheries, which is vacant, need not be filled up.

139. The Fisheries Department should consider entrusting Village Level Workers with survey of tanks, after training, instead of employing special staff for the purpose.

140. Distribution of salt to fishermen may be made through Co-operative Societies instead of departmentally.

141. Universities should be regarded as national institutions. The maintenance of academic standards in them, and grant of financial assistance to them should be the responsibility of the Ministry of Education, Government of India.

142. There is no need for a separate Department of Food Production which may be merged with the Agricultural Department.

143. Tractor and Bull Dozer Section in the Agricultural Department may be closed down.

144. The working of Agricultural Farms, including Seed Farms, may be reviewed by an Official Committee and uneconomic farms closed down.

145. The Agricultural Department should confine itself in future more largely to Research and Education and leave Extension and Demonstration to Development Blocks.

146. Minor Agricultural Research Stations should be closed down.

147. Agricultural Research work may be related to the Extension and Propaganda work at field level done by Development Blocks, and centralised in 3 or 4 Regional Research Stations in the State. Research should also be integrated with agricultural education.

148. Research Schemes taken up by the Agricultural Department should be within its competence and be related to practical and urgent problems of agriculturists.

149. Establishment of a Rural University in the State may await result of working of the institution already established in the U.P. The idea need not be considered during the Third Plan period.

150. The type of education imparted in agricultural schools is neither effective nor useful. If they cannot be converted as training schools for Gram Sevaks, they may be closed down.

151. The future working of the Agricultural Department has to be carefully reviewed in the light of entrusting Extension work to the C.D. and N.E.S. Blocks. Practically every agricultural scheme is capable of being implemented through the Extension staff and Village Level workers. To this extent the staff in the Agricultural Department should be reduced and retrenched.

152. (i) The post of Joint Director of Agriculture (Extension) may be abolished and the number of Deputy Directors of Agriculture reduced from 4 to 3.

(ii) The continuance of 1,646 Fieldmen in the Department without specific duties calls for special investigation.

153. The number of Superintendents and Stenographers in the Agricultural Department should be reduced.

154. There are 1,584 Class IV servants in the Department. The number is inordinately high and should be drastically reduced.

155. (i) The post of Deputy Director incharge of Key Village Scheme in the Animal Husbandry Department may be abolished. The posts of Special Officer, Key Village Scheme and of Livestock Expert may be combined under an Assistant Director, with the designation of Livestock Officer.

(ii) The creation of an intermediate scale of Rs. 350—800 in the Animal Husbandry Department is not necessary.

156. The working of Livestock Farms in the State is neither satisfactory nor economical. If they do not become self-supporting in the next 2-3 years, they may be closed down. Till the existing Farms are brought up to a standard, no new farms need be started in the State.

157. The Amrit Mahal Section of the Animal Husbandry Department may be scrapped.

158. The Horticultural Department should confine itself in future to the maintenance and upkeep of public gardens and parks at Bangalore.

159. Fruit and Vegetable Research Schemes included in the Third Plan should be handled by the Agricultural Department, and not by the Horticultural Department.

160. The Vidhana Soudha and Residency Gardens may be clubbed into one. But expenditure on the Vidhana Soudha garden itself may be limited to Rs. 60,000 a year.

161. The vacant post of Deputy Director in the Sericulture Department need not be filled up during the Third Plan.

162. The number of Sericultural Divisions in the State may be reduced from 6 to 5.

163. The Medical and Public Health Departments should be integrated under a single authority as the Head

of the combined department. Integration should be accelerated and completed early.

164. Employment of Honorary Surgeons on a larger scale would afford improved medical facilities at less cost to Government.

165. Private practice by Medical Officers in Government Hospitals should be prohibited.

166. The Medical Stores may be administered by a Committee with the Directors of Medical, Public Health, and Animal Husbandry and Veterinary Services Departments as members and the Chairman, Stores Purchase Committee, as President.

167. The post of Deputy Director, Public Health (Admn.), may be abolished.

168. Separate staff of Malaria Surveillance Workers and Inspectors is unnecessary and may be dispensed with and the work entrusted to Village Level Workers and the Revenue Staff.

169. The Departments of Technical Education and Collegiate Education, may be combined under one Director, designated 'Director, Collegiate and Technical Education', and a Deputy Director of the grade of Superintending Engineer be placed in charge of Technical Education.

170. The recent posting of an officer of the status of Chief Engineer as Director of Technical Education may be reconsidered.

171. A Board of Technical Education may be set up with the Director of Industries and Commerce as Chairman, and the Deputy Director, Technical Education and representatives of Industrial Concerns in Bangalore, as members.

172. The administration of all minerals, including minor minerals, in the State should be entrusted to the Department of Mines and Geology.

173. The possibility of setting up foundries in mining areas for reducing ore into metal and exporting metal instead of ore, may be examined.

174. Construction of Hydro-Electric Projects in the State may be handed over to the Mysore Electricity Board, and the separate Department of Hydro-Electric Projects wound up.

175. The post of Administrator, Sharavati Valley Project, should be abolished.

176. The Electricity Board should be required to pay a fixed contribution to general revenues.

177. Electrical Divisions in the Public Works Department may be abolished, and maintenance and repairs of electrical installations in Government Offices entrusted to the Electricity Board.

178. The number of Joint Directors, Industries and Commerce, may be reduced from 6 to 4.

179. Rural Artisan Centres run by the Industries Department, may be closed down and handed over to the Khadi and Village Industries Board.

180. The C.D. and N.E.S. Programme is too much officialised and too staff-intensive for initiative to be developed among the people or for real leadership to arise among them.

181. An economical and efficient official set-up should be thought of for the post-Extension stage of the C.D. and N.E.S. Programme with minimum of official interference and maximum of people's participation.

182. A better sense of financial responsibility on the part of the Block Staff and stricter scrutiny of Block expenditure is called for.

183. There should be a single Central Purchase Organisation in the State and it should be the Stores Purchase Committee.

184. Reorganisation of the Stores Purchase Committee, proposed by the Department, is strongly supported. The wholetime Director to be appointed may be invested with powers to dispose of indents up to a lakh of rupees, the Executive Committee dealing with indents up to Rs. 25 lakhs and indents of more than Rs. 25 lakhs value being submitted to Government.

185. As a rule, not more than 2 months should elapse from the date of indent by the Department to the date of placing orders by the Stores Purchase Committee. Cases exceeding this time limit should be reported to Government.

186. The Stores Purchase Committee should consolidate indents and place bulk orders for articles of similar kind required by the several Departments.

187. The Stores Purchase Department should be remodelled on the lines of the Supplies and Disposals organisation of the Government of India, and its designation changed to " Department of Supplies and Disposals ".

188. The work relating to Religious and Charitable Endowments at the State level may be decentralised and entrusted to Divisional Commissioners and the Central office wound up.

189. Social welfare work is likely to gain in effectiveness, with less expenditure on staff, if the Department is wound up and the work transferred to Local Bodies.

190. If the post of Joint Registrar in the Co-operative Department is to be retained, one of the posts of Deputy Registrars may be retrenched in the office of the Registrar.

191. The number of Assistant Registrars of Co-operative Societies is capable of reduction.

192. The post of Assistant Engineer in the Co-operative Department may be abolished.

193. The Audit wing of the Co-operative Department may be transferred to State Accounts Department, keeping the existing pattern and system of audit intact.

194. The Department of Literary and Cultural Development may be wound up and the work transferred to the Department of Education or the University, and to the Government Book Depot.

195. If the Silk Weaving Factory, Mysore, cannot be modernised and cost of production therein reduced, it may be closed down or handed over to private enterprise.

196. An expert investigation into the working of the Sandalwood Oil Factory is necessary.

197. The establishment of a Trading Corporation, as a Central agency for the sale of products of all Government Industrial Concerns in the State, is recommended.

198. The State-owned industries in the State are not as efficiently or economically run as comparable industries in the private sector.

199. Without actually converting the State-owned industries into Corporations under the Company Law, all the advantages of a Corporation could be secured by working them as if they were regular commercial concerns, by (1) giving wide powers and discretion to the managements of the concerns and (2) exempting them from the operation of Government rules and procedures for recruitment, purchase, etc.

200. In place of meticulous audit of expenditure in State industrial concerns in terms of Government accounts, there should be performance audit based on results and achievements.

201. The working of the Government industries in the State should be periodically reviewed by Expert Committees.

202. There should be no hesitation in abolishing admittedly light courts in the State which do not keep the Presiding Officers engaged throughout the year.

203. Some standards of work and performance for the judicial officers should be laid down and enforced.

204. A doubling of the pecuniary jurisdictions of Civil Courts in the State is suggested.

205. The system of itinerant, and of Munsiff-Magistrate courts may be more largely resorted to.

206. Proper investigation and physical planning of public works are the pre-requisites of economy in the P. W. D.

207. There should be a thorough investigation both in regard to human and material resources and suitability of sites, etc., and designs should be based on them. These matters should be finalised before any project or work is taken up. There should be no mid-construction changes in designs.

208. Taking up of a large number of projects and works at the same time and in the same locality, should be avoided.

209. No scheme or project should be undertaken before the land required for it has been acquired and compensation paid to the owners of the land.

210. (i) The appointment of an inter-departmental committee for securing economy in construction costs is recommended. The committee may advise in regard to the following matters also, *viz.*,

(*a*) Economy in land utilisation and floor space.

(*b*) Advance planning for procurement of materials and

(*c*) Adoption of economical type designs for functional buildings and residences.

(ii) Except in very special circumstances, no expenditure from public funds may be allowed to be incurred on ornamentation of buildings or structures.

211. A Water (Irrigation) Commission, as in Maharashtra, may be constituted for a comprehensive survey of the water resources of the State and orderly investigation of (1) progress of irrigation projects, and (2) problems connected with irrigational development.

212. A satisfactory and equitable formula for the sharing of waters of inter-State rivers may be evolved in the interest of further irrigational development in the State.

213. (i) Talukawise survey of minor tanks should be carried out in the State. Till such a survey is completed, no minor tanks may be taken up for restoration in a Taluka.

(ii) Restoration of tanks should be done on the basis of the position disclosed by the survey and with reference to tanks that may be restored and those that cannot be restored. Tanks that cannot be restored should be treated as percolation tanks.

(iii) A suitable method of restoration of tanks should be considered and decided upon. Raising the wasteweir and bund is not a permanent solution and only puts off the evil day when desilting has to be taken up inevitably. No restoration work should be taken up until a definite decision regarding the pattern is taken.

214. Construction of buildings by Government agency being costly, private persons may be encouraged to construct buildings to be used as official quarters under long-term lease.

215. Contact system has come to stay for public works and cannot be escaped where work has to be done within the time schedules.

216. Departmental work should be resorted to for works, such as machine foundations and breach-filling, and in cases where measurements cannot be taken, and for masonry dam construction. Piece-work system may be adopted in restricted cases such as earthwork in canals, supply of construction materials costing up to Rs. 10,000. All other works, involving the use of heavy machinery and equipment, may be given out on contract with the necessary safeguards under agreements.

217. The practice of hiring out trucks and equipment to P.W.D. contractors in vogue in the Belgaum Division, should be put a stop to.

218. The Tungabhadra Board is superfluous and may be abolished.

219. The appointment of an Expert committee to examine the working of the Localisation Scheme under the Tungabhadra Project and to suggest remedial measures, is recommended.

220. The question of labour needs of projects and planned utilisation of labour calls for co-ordinated action at the State level in consultation with the Governments of neighbouring States.

221. The present workload of Rs. 35 lakhs for a Division is too low and should be raised. It should be at least Rs. 60—65 lakhs, for a general Division where there are more road and building works ; and it should be not less than Rs. 55—60 lakhs, where there is more of irrigation work. For Buildings and Road divisions the workload should be considerably more and may be as much as Rs. 1 crore in a purely Buildings Division.

222. There is no need to fix a workload for a Superintending Engineer who is only an administrative and supervisory authority.

223. (i) There may be only 3 Chief Engineers in the Department as follows :—

Chief Engineer for Buildings and Communication,
Chief Engineer for Irrigation and Public Health, and
Chief Engineer for Projects.

(ii) There should be one Designing Section under each of the Chief Engineers and the existing Investigating Circles be abolished.

224. (i) The number of Superintending Engineers may be limited to ten in all as follows :—

Four, at one each for the General Circles, corresponding to the administrative Divisions ;
Two, at one each for the Upper Tungabhadra and Kaveri and Lower Tungabhadra and Krishna Circles ;
Three, at one each for the three Designing Circles under the Chief Engineers ; and
One for the Technical Audit (Public Works) Cell.

(ii) The number of Superintending Engineers for projects should be regulated according to the amount and nature of work in each project.

225. There should be one Public Works Division (General) corresponding to a Revenue District, under an Executive Engineer. In Districts where there is more than one Division already, the number may be reduced to one and a senior Executive Engineer posted thereto. But in Divisions, where the workload is heavy, additional Clerical and Accounts staff in proportion to the work to be done may be provided.

226. Special Divisions would be required for irrigation in Districts like Mandya, Bellary, etc.

227. There need not be an Assistant Engineer invariably for each Taluka, as the workload in different regions of the State is not uniform. The number of Assistant Engineers should be regulated according to the amount of work and area.

228. (i) The abolition of the post of Administrator, Sharavathy Valley Projects and Adviser to Government, Irrigation Projects, is already recommended. The other recommendations will result in the reduction of the following posts in the Public Works Department :—

1 Chief Engineer,

10 Superintending Engineers, and

33 Executive Engineers.

(ii) A corresponding number of Assistant Engineers, Supervisors and subordinate staff, of the order of about 30 per cent of the present strength, may be retrenched.

229. Our review brings out the basic inadequacy and inelasticity of the State's tax-structure as a whole.

230. The burden of proposed additional taxation is not excessive or disproportionate to the capacity of the people in the State as a whole to bear.

231. Since a contribution of Rs. 13 crores has already been assumed from Public enterprises as resource for the Plan, targets of contribution to be made by particular

undertakings should be fixed and directive issued for the due fulfilment of the same.

232. (i) The provision in the existing State Electricity Board Act and Road Transport Corporation Act, relating to their working on no-profit and no-loss basis, should be deleted;

(ii) It may be provided that in future these concerns should pay annually a fixed percentage of their earnings as contribution to the Consolidated Fund of the State. This contribution should be treated as statutory payment and a charge on the earnings of the undertakings. The Government of India may be moved to amend the Indian Income-Tax Act to make the contribution an allowable item.

233. The Union Government may be approached to guarantee a sum approximately equal to the revenue that the State could have raised if sales tax instead of additional excise duties had been levied.

234. The proper share of the State Government in the "Development Fund", created at the Centre, out of a sum of Rs. 10 crores accruing through a cut in the price of petroleum from the year 1958, should be claimed on population or other suitable basis.

235. The interim recommendation for the levy of surcharge of 50 per cent of existing land revenue, in lieu of revision settlement, is reiterated.

236. The levy of a General surcharge of 12½ to 25 per cent on all land revenue, including water rate, as additional resources for the Third Plan is recommended.

237. (i) The present period of Survey guarantee may be reduced from 30 to 10 years. (ii) Land revenue assessment may be standardised and revised once in 10 years with reference to price variations.

238. The provision in the Land Revenue Code, fixing the ceiling limit to increase of assessment by revision settlement may be deleted.

239. Uniform Revenue law in the State should be introduced without further delay.

240. Revision settlement work should be speeded up in the State and completed within a year.

241. Existing cesses (other than Maintenance cess levied under the Irrigation Act) may be clubbed into a Consolidated cess at 50 nP. per rupee.

242. For the rapid development of irrigation under new projects, rebates and even remissions of water rate in the first three years may be given to those who bring prescribed extents under irrigation within the time-limit to be fixed, or who adopt improved methods of cultivation.

243. Water rate should be made a compulsory levy throughout the State. Wherever it is now left to the option of cultivators to take water or not, this option should be removed.

244. A comprehensive Water law should be enacted to govern the use and management of the State Water resources for (1) irrigation, (2) power and (3) industrial purposes under an integrated scheme providing for the levy of a proper rate for each such use.

245. A uniform compulsory Maintenance cess of Rs. 5 per acre should be imposed under all irrigation sources *viz.*, canals and major and minor tanks.

246. Water rate should be separated from land assessment and made an independent levy. Where it is merged in the consolidated wet rate, it should be separated and raised to the level of the basic water rate at the time of resettlement. Pending resettlement, a surcharge on consolidated assessment may be levied at Rs. 8 per acre per crop, under canal irrigation, and Rs. 6 per acre per crop, under tanks. For a second crop an additional rate of half as much again may be levied.

247. The existing levy of water rate on acreage basis in some parts of the State should be changed and the levy made on crop basis throughout the State.

248. In Belgaum Division and other areas, where no betterment levy was made, the existing water rates should be continued in respect of all completed irrigation projects. In other areas where betterment levy is being made, the

following maximum and minimum rates may be adopted and brought into force immediately in respect of all projects and canals, including the Visvesvaraya Canal:—

Crop		*Water rate*
Sugarcane	..	Rs. 50 to 60 per acre.
Paddy	..	Rs. 15 to 25 per acre.
Dry crops	..	Rs. 10 per acre.
Manurial crops	..	Rs. 5 per acre.

249. (i) Additional water rate at 50 per cent of the rates recommended above may be levied wherever more than one crop is raised, under all river channels and projects.

(ii) In the case of lands under tanks, additional water rate for a second crop may be Rs. 10 per acre, pending revision settlement.

250. The above rates should be revised once in 10 years, synchronising with the revision of land revenue assessment.

251. Rate for supply of water from irrigation canals for non-irrigational purposes may be revised and fixed as follows:—

(*a*) In the case of industrial concerns including Sugar factories, the rate shall be fixed uniformly at Rs. 2,000 per M.Cft., a concessional rate of Rs. 1,500 being charged to newly-started concerns for a period of three years.

(*b*) In the case of all industrial concerns, a minimum payment for a year should be stipulated and included in the agreement.

(*c*) In the case of supply of water to Municipalities and Industrial colonies for non-industrial use, the rate may be fixed uniformly at Rs. 250 per M.Cft.

(*d*) Existing rates of water supply to industries, municipalities and colonies should be reviewed and a surcharge levied to cover the difference between the present and recommended rates, during the currency of subsisting agreements.

(*e*) The above rates should be revised once in five years.

252. A survey should be made of lands classified as marshy and medu under all projects but which have been subsequently brought under cultivation. Betterment

levy and water rate should be charged on lands which have escaped these levies.

253. For dry lands for which Government water is used temporarily with permission under the Land Revenue Code, an ordinary water rate of Rs. 10 per acre per crop may be levied. One and half times this rate may be charged when a second crop is raised.

254. Pending permanent water rate being fixed, water rate of twice the ordinary rate may be levied temporarily under the Land Revenue Code.

255. For unauthorised use of Government water, penalty should be increased up to 10 times the ordinary rate.

256. When Government water is used for non-agricultural purpose, the charge should be half as much again as the ordinary rate.

257. A senior Revenue Officer may be posted to the P.W.D. for the prompt and correct booking of irrigation demands.

258. A survey of lands and buildings situated along National Highways and trunk roads in the State may be made and a betterment levy imposed on them under a special enactment.

259. Existing rates of ' Conversion fine ' and ' Building tax ', levied under Land Revenue Code in Cities and urban Areas may be doubled forthwith, and at the next stage, special rates of assessment for agricultural lands used for non-agricultural purposes may be determined. All these assessments may be revised once every 10 years.

260. Where the original purpose for which an agricultural land was converted is changed subsequently without permission, levy of a suitable penalty should be provided under the Land Revenue Code.

261. A special survey of all agricultural lands within a radius of five miles of Bangalore and other Cities and important towns in the State, should be taken up.

262. A tax on all new buildings, constructed after a particular date, may be introduced on the lines of the levy in Kerala State.

263. The rates of all fees charged under the Land Revenue Code be generally doubled and the existing rates of Survey and Record of Rights fees doubled.

264. Interim recommendation for the removal of exemption of cereals from payment of Sales Tax and for subjecting them to tax at one per cent at multi point, is reiterated.

265. Existing Sales Tax at 2 per cent at multi point on sugarcane be changed to tax at a single point at 3 per cent at the point of last purchase.

266. Chillies, now taxed at single point of first purchase, may be taxed at multi point.

267. The present rate of tax on timber at 3 per cent at first point of sale, be raised to 4 per cent.

268. Raw silk may be taxed at the point of last purchase at ½ per cent.

269. Certain commodities, now taxed at 2 per cent under Section 5(1), may be brought under single point levy at 3 per cent at the point of first sale in the State.

270. Uniform rate of 6 per cent sales tax be levied on pure silk fabrics, whether mill-made or woven on power looms, with exemption to fabrics woven on handlooms.

271. All kinds of yarn, except cotton yarn covered by IV schedule, may be taxed at 2 per cent, the rate of ¾ per cent being made applicable only to pure silk yarn.

272. Exemption of firewood and charcoal for domestic use may be removed.

273. Exemption of dried vegetables may be removed.

274. Existing rates of tax in the case of certain commodities may be slightly enhanced to the level of those prevailing in the neighbouring States.

275. The rate of tax on pulses and on gold and silver articles may be raised from 1 to 2 per cent.

276. Concessions allowed under the 2nd and 3rd provisos to Section 5(3) of the Sales Tax Act may be withdrawn.

277. The rate of sales tax on hotel turn-over under Section 5(1) be raised from 2 to 3 per cent.

278. A firm target of sales tax revenue of Rs. 15 crores a year may be fixed and achieved by the Department in the Third Plan period.

279. A convention for safeguarding future revenue to the State under Additional Excise Duty may be evolved after discussion with the Central Government.

280. The resources under the State Agricultural Income Tax Act should be fully developed, and the Act administered effectively, in the long-range financial interest of the State.

281. Non-agricultural income should be taken into account for purposes of total income assessed to Agricultural Income-tax and the same taxed by means of a surcharge, as recommended by the Taxation Enquiry Commission.

282. Agricultural Income Tax exempts more than it taxes. All agricultural income and not only income from Plantation and selected commercial crops, should be brought within the purview of the Agricultural Income Tax Act.

283. The extent-limit for exemption under the Agricultural Income Tax Act may be done away with and the whole of Part II of the Schedule to the Act, as well as Sections 66 and 57, deleted.

284. The rates of tax in Part I of the Schedule may be raised in respect of income slabs above Rs. 10,000.

285. Agricultural income of Companies should be taxed at the highest rate of 40 nP. per rupee.

286. Super tax on Agricultural income may be levied at the rates proposed, on the income of individuals in excess of Rs. 25,000, and on the entire income of Companies.

287. The ultimate aim should be the merger of agricultural income with non-agricultural income under a common scheme of taxation of the whole of an assessee's income.

288. The existing rates of Cinematograph (Show) tax may be raised as proposed.

289. Entertainment tax may be increased by 25 per cent on tickets between 20 nP. and 50 nP.; 50 per cent between 51 nP. and Re. 1.00 and 75 per cent on tickets between Re. 1.00 and Rs. 3.00 and cent per cent on tickets above Rs. 3.00.

290. The rate of Betting-tax may be increased to 25 per cent for Races in Bangalore and 20 per cent for Races in Mysore.

291. We do not enter into the controversy regarding the success or failure of Prohibition in the State. If total prohibition has necessarily to be enforced, it may be staggered and so phased that there is no appreciable loss of revenue during the Third Plan period.

292. (i) There is no scope for raising the existing rates of Stamps and Court Fees duties in the State.

(ii) If the expenditure on Civil Justice goes beyond the present limit, proportionate increase in the rates of Court fees may become necessary.

293. (i) The introduction of uniform rates of Registration fees in the State may be availed of to raise the rates wherever they are low.

(ii) A surcharge of 5 per cent over the existing Registration fees is suggested after the introduction of the Photo-copying system.

294. Penalties, in cases of detection of non-registration of documents compulsorily to be registered, should be made stringent.

295. A survey should be made of roads in the State on which bus service may be operated but on which no service is being run and action taken to operate such routes.

296. (i) A fee of Rs. 2 charged for transfer of Motor vehicles may be raised to Rs. 5 in the case of Motor cars and to Rs. 10 in the case of trucks and lorries.

(ii) Rates charged for temporary permits for Motor vehicles may be doubled.

297. The present rate of tax on passenger and goods in the State may be stepped up by 25 per cent.

298. (i) Gun and Revolver licence fees may be enhanced.

(ii) Existing rates of licence fees, under the Indian Explosives Act, may be raised by 50 per cent with the concurrence of the Government of India.

299. Tolls may be levied on roads constructed for the benefit of particular classes of people or for special purposes, such as ore roads.

300. To encourage the construction of motor roads and speedways, private enterprise may be attracted by the formation of private corporations with right to levy tolls for a definite period, the roads so constructed reverting at the end of the period to the State.

301. (i) Village Panchayats and Taluka Boards should be brought into the forest picture and associated with afforestation activities.

(ii) There is scope for private enterprise to take up fuel and other plantations as an industry.

302. A target of plantation of a lakh of acres a year should be kept in view by the Forest Department and achieved.

303. Organised measures with inter-state co-operation, are needed to check smuggling of forest produce, particularly of sandalwood, from the State Forests.

304. A gross revenue of Rs. 12 crores from the 12,000 square miles of State Forest should be kept as the target to be achieved by the Department in the Third Plan.

305. Scheduled rates in the Forest Department require periodical revision in view of increasing demand for timber and rising prices.

306. A Corporation with the State and Railways as partners may be set up for processing timber into sleepers.

307. Central Government should be moved to ban the import of timber as long as the internal forest resources are sufficient to meet all requirements.

308. The Forest Department should earnestly take up the scheme of (1) Small Craft Timber Yard, and (2) Seasoning kilns at strategic places in the State.

309. Sandalwood Oil Factory should be treated as a forest industry and transferred from the Industries to the Forest Department in the interest of better management and profitable working.

310. The Forest Department may consider raising Cocoa Plantation wherever conditions are favourable.

311. The definition of the term 'firewood' and specification of reserved species, should be made clear and unambiguous to prevent timber being treated and disposed of as firewood.

312. The Departmental procedure for disposal of forest products in the several areas of the State should be made uniform and the administration of the same tightened up.

313. Seigniorage rates may be further enhanced.

314. Scheduled rates and seigniorage rates in the Forest Department should be periodically revised, once in three years.

315. The terms of supply of bamboo by the Forest Department to the West Coast Paper Factory, Dandeli, and to the Mysore Paper Mills at Bhadravathi, should be investigated; and defects in the present working of the agreements rectified.

316. Seigniorage rates for supply of firewood and charcoal to the Mysore Iron and Steel Works should be suitably raised.

317. The revival of the old Grazing fee is suggested in the interest of protection of State forests.

318. Existing rates of royalty in respect of iron, manganese, chrome and gold may be increased with the concurrence of the Central Government.

319. A total revenue of Rs. 50 lakhs a year at least is realisable under Royalty on minor minerals. The administration of minor minerals should be centralised and entrusted to the Department of Mines and Geology.

320. Extension of the ' General Insurance Scheme ' of the Bombay Karnatak area to the entire State is recommended.

321. Government of India may be moved to allow the State Insurance Department to take up Fire Insurance Work.

322. Nationalisation of ' Act liability ' under the Motor Vehicles Act is strongly recommended.

323. The Insurance Department may take up Aviation Insurance without extra cost.

324. The scheme of reorganisation of the Kunigal Stud Farm, put up by the Animal Husbandry Department, is supported.

325. As a general rule, all institutions including Local bodies, having statutory income but which are not wholly financed by the Government, should be made liable to pay audit fees.

326. The present rate of audit fees in the case of Municipalities may be enhanced by 25 per cent.

327. The rate of Contribution by religious and charitable institutions may be raised to 8 per cent in the case of minor institutions and 10 per cent in the case of major institutions.

328. The existing admission, tuition, quarterly, examination, and laboratory fees in the Education Department

and Government Colleges, should be brought on par with the corresponding rates in Madras.

329. Rates charged in the case of Water Supply Schemes should cover at least interest and maintenance charges fully. The existing rates should be revised accordingly. Pending such revision, surcharges may be levied.

330. The rate of rent charged for the Government quarters and residences to officials may be enhanced to 12½ per cent of pay or 9 per cent of capital cost, whichever is lower.

331. Rents charged to travellers for occupation of Travellers' Bungalows may be doubled, and half of such rates charged to Government employees on official tour.

332. Fishing licence fees in the Fisheries Department may be raised by 50 per cent.

333. Daily ward charges for Special Wards in the Hospitals, above Rs. 5 per day, may be increased by 50 per cent.

334. The need to introduce Cost Accounting system and a Cost Accounts service for the several Government industrial concerns is emphasised.

335. The Central Workshop at Mercara should be closed down.

336. The working of Government Filatures should be placed on a satisfactory basis by high level negotiation with the Central Silk Board in regard to policy of import of silk.

337. The rate of Charka Silk Licence may be doubled.

338. A fee for the registration of Pharmacies, under the Central Act, may be levied with the concurrence of the Central Government.

339. The possibility of taxing Forward Contracts, as in Maharashtra, may be examined.

340. The suggestion to license hotel-servers under the Public Health Act, and to levy a small annual fee, may be considered.

341. The levy of tax on hotels, on the pattern of the Show tax on Cinema Houses, under the Public Health Act or under a separate Act, is suggested for consideration.

342. The tax on Passengers, now merged in the fare-structure of the Road Transport Corporation, be separated and made an independent levy.

343. The element of subsidy in the power rates charged to Mysore Iron and Steel Works and Kolar Gold Fields, may be removed; and in the case of subsidy for lift irrigation, it should be limited to the first five years only.

344. A comprehensive examination of the working of Government industrial concerns by an expert body composed of industrialists and financiers is recommended.

345. The real difficulties of a tax payer arise on account of frequent changes in tax laws and increase of tax rates.

346. Appointing of special staff for clearance of arrears and of assessment work is deprecated.

347. Prosecution, as a specific penalty for wilful default in the payment of State taxes, should be considered.

348. Penalties for belated payment of taxes, on the Indian Income-tax pattern, are suggested.

349. A rebate of 5 per cent on tax for punctual payment may be allowed.

350. Clearance certificate in respect of State taxes may be required to be produced by persons applying for loans and licences under State Acts or standing as candidates for seats in the Legislature and Local bodies.

351. Disputed amounts should be required to be deposited along with the appeal or revision petitions.

352. The post of Special Officer for the collection of Land revenue arrears in Gulbarga District may be abolished.

353. Co-operative Societies, Sugar factories and the Coffee Board may be utilised as agencies for collecting Land revenue.

354. Issue of stay orders by the Government and other high authorities during the normal process of recovery is the cause of heavy accumulation of arrears and of amounts becoming irrecoverable later.

355. In the recovery of Land revenue proceedings may start with distraint of moveables and stipendiary Village Accountants invested with powers of distraint.

356. (i) The Mysore Inam Abolition Acts may be extended to Bellary and South Kanara Districts and to Kollegal Taluka and full assessment on unenfranchised minor inams in ryotwari and inam villages levied. (ii) Assessment on Jammi lands in Coorg may be raised to the level of that on Sagu lands and lands owned by Mutts in Coorg fully assessed.

357. Steps should be taken to supply water under Ghataprabha Project (First Stage) to 65,000 acres, making the levy of water rate compulsory.

358. Administration of the subsidy scheme for sinking irrigation wells should be tightened up to prevent abuses.

359. Early implementation of the Land Utilisation Survey scheme to cover the entire State during the Third Plan is recommended.

360. Special steps are called for to prevent unauthorised use of Government water in the V. C. and other Project areas.

361. Need for a rational policy, in the use of surplus lands in the V. C. area and under other major irrigation areas in the State, is stressed.

362. District forests in the State may be transferred to the control of the Forest Department without interfering with existing rights and privileges of ryots.

363. The privileges under the Malnad Ryots' Concession Rules should be revised and strictly limited to *bona fide* purposes.

364. (i) Reorganisation of the Sales Tax Department on the lines generally of the administrative set-up in the Kerala State may be considered.

(ii) The proposal of the Department for setting up an Intelligence Branch and establishment of checkposts on the borders of the State, is supported.

(iii) Officers of the Commercial Tax Department should be vested with powers to stop moving vehicles.

365. As a safeguard against under-assessment of sales tax, targets of assessment and collection for each office should be fixed up and the work of officers judged with reference to the targets. Targets should be revised from year to year.

366. Detailed check of accounts in low turnover cases need not be done every year. A test check is sufficient, detailed check being done once in 5 years.

367. (i) The importance of watching quarterly returns is emphasised.

(ii) Payment of quarterly taxes, along with the returns, should be made obligatory for turnovers of Rs. 40,000 and above.

368. A mixed Committee of officials and representatives of trade and commerce in the State may be constituted to suggest simplification of Sales Tax law and procedure.

369. The system of compounding offences under the Motor Vehicles Act should be replaced by prosecution as in Madras; prosecution being made the rule and compounding resorted to only in exceptional cases with penalty of four times the amount of tax defaulted.

370. Overloading of buses detected should be automatically visited with suspension and cancellation of driver and conductor licences.

371. Sales Tax checkposts on the borders of the State may be used by the Transport Department for regular check of vehicles entering the State.

372. The pattern of assessment and collection of Motor taxes and issue of licences as in Madras City may be adopted in Bangalore, the D.I.G., Bangalore, being made the Licensing Authority.

373. (i) The working of the Agricultural Income Tax Act should be tightened up.

(ii) Appointment of whole-time Agricultural Income Tax Officers for Districts or a group of Districts is necessary and is recommended.

(iii) A Deputy Commissioner for Agricultural Income Tax may be appointed, under the Commissioner, to supervise the work of Agricultural Income Tax Officers.

374. Exemptions and abatements under the Stamps and Registration Acts may be reviewed and withdrawn gradually, except in cases where exemption is mandatory or its continuance is in accordance with declared public policy.

375. Steps should be taken to detect and check undervaluation of property resorted to, to avoid payment of proper Stamp duty and Registration fees.

376. Work relating to registration of Firms, Societies and Registered Associations may be decentralised.

377. Projects for which loans are raised should cover at least working expenses and debt charges.

378. Outlay on unproductive scheme in a year may be limited as far as possible to the expected additional revenue by taxation and the borrowing programme adjusted to the anticipated outlay on productive projects.

379. Borrowed funds should be utilised only for specified schemes and purposes and not allowed to be diverted.

380. Proceeds of Public loans should be earmarked and utilised for strictly remunerative projects.

381. Planned use of borrowed funds is the best safeguard against over-borrowing and increase in the debt obligations of the State.

382. The State Government is advised to pursue vigorously the question of consolidation, and rationalisation of repayment terms, of Government of India loans, on the lines of the recommendations firstly of the Second Finance Commission and secondly of the Mysore Finance Enquiry Committee (1956).

383. The following further liberalisation of the terms of repayment of Government of India loans is suggested :

(i) Loans given for Plan schemes of admittedly unproductive nature be free of interest, and

(ii) Repayment of loans granted for other than remunerative schemes be extended up to 50 years and the rate of interest thereon limited to 2 per cent.

384. (i) The percentage of citizens' contribution to the total public debt is the measure of endorsement by the people of the Government's policies and programmes.

(ii) Small Savings movement must become "people's movement" and subscriptions to it must be on voluntary basis.

385. Co-operative Societies in the State should be brought more largely into the sphere of Small Savings movement.

386. All State loans should be fully recovered and their recovery should not be waived.

387. Municipalities who have got into arrears may be given final notices and a year's time within which to improve their finances and pay the overdue amounts.

388. In the case of smaller Municipalities, the terms of payment may be eased by reducing the amount of instalment and waiving penal interest.

389. In the case of Municipalities which are really unable to pay the instalments, the period of repayment may be extended up to 50 years under fresh agreements.

390. Rates of interest on loans given by the State should depend on the purpose for which each loan is given and should be at least one per cent higher than the average of the Government borrowing rates.

391. Penal rates of interest may be enhanced by 50 per cent and penal interest once levied should not be waived.

392. Rate of interest on loans, other than loans granted to Local Bodies, should be normally 6 per cent.

393. (i) State Loan should be given in future through institutions only and not to individuals directly.

(ii) Short term and medium term loans should be channelled through Co-operative Societies and long term loans through the State Land Mortgage Bank.

(iii) Industrial loans of whatever amount may be given through the State Industrial Finance Corporation.

(iv) Financial participation in industries and guarantee of loans to industrial concerns, should hereafter be left entirely to the Industrial Finance Corporation.

394. Loans to Municipalities should be made a straight deal by revising the present procedure for payment of loan amount to them.

395. All future loans to Municipalities should be given on the basis of detailed and firm estimates.

396. The amount of loans to Municipalities should be strictly related to their financial position and repaying capacity and be made conditional upon the improvement of their resources.

397. All financial assistance by the State to Municipalities in future should be in the form of loans only.

398. An enabling clause may be included in the Town Municipality Act for the levy of a 20 per cent consolidated tax on properties, in lieu of separate taxes and cesses now levied.

399. Rate of property tax in Municipalities should be higher by 50 per cent in the case of buildings and premises used for non-residential purposes.

400. Municipalities may be permitted to raise debentures on Government guarantee for remunerative schemes and purposes.

401. The constitution of an Education Trust in the State for the grant of educational loans is suggested.

402. Local bodies should be called upon to take over obligatory functions from the respective Departments by specified dates.

403. Departments of Government should make out Talukawise lists of functions and resources to be handed over to the Taluka Boards and Panchayats and transfer them in an orderly fashion.

404. Whenever a function is transferred to a local body, proportionate staff pertaining to the function should be transferred also with a corresponding reduction of staff in the Government Department concerned.

405. Instead of lumpsum provision for grants to Local bodies being made in the Budget, Districtwise allotment on the basis of previous years actuals may be made and included in the Budget.

406. Taluka Boards should be required to levy compulsory taxes within a specified time.

407. A percentage of the provision in the Budget for maintenance of tanks should be made available as grant to Taluka Boards to meet maintenance expenditure.

408. Taluka Boards may be paid a grant at Rs. 200 per mile of rural roads to be taken over and maintained by them.

409. Fifty per cent of maintenance expenditure by the Government at the present level in respect of Dispensaries and Veterinary institutions, may be given as grant to respective Taluka Boards.

410. A sum equal to the tax revenue levied and collected, over a certain, limit by Local bodies may be given as a matching grant.

411. Total amount of grant given to a Local body in a year should be limited to Rs. 10,000 or to its tax revenue, whichever is less.

412. All functions of local significance and importance, now discharged by the State Government, including implementation of Plan Schemes, should be freely devolved on Local bodies.

CONCLUSION.

9.2. From a recent press report we see that the Union Government has taken a serious view of the failure of some of the States in not raising the promised resources, and has sounded a note of caution that the annual State Plan targets should bear strict relation to the resources available, including Central assistance. It was indeed very timely that the Government of Mysore set up this Committee for the study of the State's financial position and problems. It is a tribute to the foresight and vision of Shri B. D. Jatti, and Shri T. Mariappa, that they forestalled the difficult position ahead and took steps to meet it. Shri Mariappa has been the State Finance Minister since Re-organisation. During this difficult and trying period he shaped the financial policies of the State and placed the State's finances on a stable footing. He will, we are sure, go on record as one of Mysore's ablest Finance Ministers. We are grateful to him for his inspiring address, and the lead he gave us, at the inaugural meeting of our Committee.

9.3. It would be appropriate to say a few words about ourselves. The composition of the Committee, with representatives of the Legislature drawn from different parties, having intimate knowledge and wide experience of public affairs, and persons with experience in administrative, technical and industrial fields, reflects the desire and the wise intention of Government to make the Committee fully representative of varied view-points and interests. The absence of persons in active service made a disinterested and objective appraisal of problems possible. At the same time the Committee was assured of the benefit of administrative experience and points-of-view by the presence on the Committee of a former Chief Secretary, Finance Secretary, and Chief Engineer, of the State. The inclusion of two former ministers to Government as members of the Committee gave added weight to its deliberations. A former Executive Director of the IMRUP, who was connected with American industry for three decades, has been with us as our colleague and guided us in the review of the problems of State industries.

9.4. The Committee has particularly felt that but for the erudition, zeal and dynamic industry of the Member-Secretary, who was formerly the Finance Secretary of Government and a member of the Mysore Finance Enquiry Committee (1956),—our work would have been seriously handicapped. He has helped the Committee to take a historical and comprehensive view of the problems ; and his insight has led to a proper appraisal of all factors.

9.5. The Committee has worked for nearly a year and half. The task enstrusted to the Committee has not been an easy one. We had to find out ways of raising as much as 50 crores of rupees for the Third Plan. We have done our best. Our labours would be more than repaid if the recommendations made by us should result in providing the much-needed resources so necessary to implement the Third Plan and stabilise the finances of the State.

9.6. As we are signing the Report, the Third Finance Commission's Report has come out, under which the States are to get an increased share of Union Taxes. It is understood that the Commission has recommended the appointment of an independent Commission, to examine comprehensively the " tax potential " of each State, to review its tax structure, and to recommend rates under different heads of levies in the State List. We have largely covered the same ground in this Report. We trust that the implementation of the recommendations made by us will help the State, together with the devolution of the resources under the Third Finance Commission's award, to fulfil the objectives under the Third Plan.

A. G. RAMACHANDRA RAO
BASAN GOWDH
N. PUTTARANGASWAMY
M. RAMAPPA
B. S. NARASING RAO
B. G. DESHPANDE
BHOLA D. PANTH
MOHAMED SHERIFF
N. MADHAVA RAO
Y. RAMAKRISHNA.

BANGALORE,

14th March 1962.

DISSENTING NOTE BY SHRI M. RAMAPPA.

I am in general agreement with the Report of the Committee. As I have not been able to subscribe to some of the recommendations, I herewith submit my dissenting Minute.

In my opinion the increase in income as a result of the working of the Five-Year Plans of the Government has not gone to the cultivators or Agricultural Labour in the rural sector. Due to the rise in prices, a small section of the Land Lords who grow on a large scale are benefitted. Though the number of these Land Lords is very small, the extent they own out of the total area is large.

I feel that revenue from Land should not be considered on the basis of a rise in the grain prices. The land is a means of employment for about 60 per cent of the population. About 50 per cent of the holdings in the State are below 8 acres and these holdings constitute only about 17 per cent of the total area. These class of persons are not benefitted by the rise in prices, as they hardly grow enough for their own living.

I am not in favour of levy of surcharge on Land Revenue on the holdings which are below 8 acres in the case of dry lands and 3 acres in the case of wet lands with an assured supply of water.

The two Five-Year Plans have benefitted a small section of big businessmen, industrialist and contractors with a pressure group of politicians behind them. Any increase in the National Income, must have gone into the hands of these persons alone. The standard of living of the generality of the people is not increased. The taxable capacity of the common man has not arisen from the working of the Five-Year Plans. The present cost of living is already high due to the existing taxes. Any further increase in the indirect taxes will add to the existing scaring prices and thereby a further burden the poor consumer.

I do not agree with the view of the Committee that the States Tax structure "should be deepened and broadened to bring the large sections of the people within the tax net". Any new taxation measure should confine to that section of the Society which is benefitted directly or indirectly by the working of the Plans and whose taxable capacity is increased. Among this large sections of the people, are the small cultivators, agricultural labourers petty merchants and educated unemployed. Throwing the tax net wide is no doubt the best and the most easy way of taxation from the point of view of raising the resources of the State. But it is lopsided unsocialistic and regressive.

I am opposed to the levy of any fresh indirect taxes on essentials.

The best way of finding the resources for the present when the taxable capacity of the people is limited, is by scrapping Prohibition. It is self evident that the enforcement of prohibition has been a definite failure, the main cause being the strong public opinion against it. Any social legislation to improve the morals of the people is bound to be a failure. Social Legislation cannot eradicate the Social evils. Before the introduction of Prohibition only a small section of the people were used to drink toddy. It was not detrimental to the health of the people. However, the number of people now given to the drinking of illicit liquor has gone up considerably high. It is readily available to all the members of the family, and it is causing great harm to their health due to its deleterious contents. The experience of the last 15 years of the working of prohibition has amply proved its utter failure. Therefore rethinking is absolutely necessary. It is argued by the advocates of the prohibition policy that it is one of the directive principle of the Constitution. They forget that there are various other more important directive principles which deserved priority over prohibition. Considering the revenue that accrues to the State from Excise and the poor finances of the State, scrapping of prohibition is sound.

M. RAMAPPA.

DISSENTING NOTE BY DR. BHOLA D. PANTH.

By and large, I concur with the Report. My dissent, however, is limited to two specific points, namely (1) economic utilisation of funds in Public Works and (2) ensuring of greater efficiency and, correspondingly, larger returns from capital invested in State Industries.

PUBLIC WORKS DEPARTMENT.

2. Public Works Department (P.W.D.), as the name implies, was obviously conceived for public service. It has an unparalleled record throughout India, for its splendid social services, since every facet of community life has been so long enriched and so well ministered by it, for over a century. Its handiwork is writ large even in every nook and corner of our spacious land. Indeed, P.W.D. is synonymous with Public Service and is aptly called *Lokopakari Sakha* in Kannada. However, as the volume and nature of work expanded, it bacame necessary for P.W.D. to parcel out the work to the contractors.

3. Eventually, the malady of bigness overtook it. Under the British administration, as the Public Works undertakings loomed large, the Contractor entered the scene and, gradually, gained far greater importance than that previously enjoyed by the P.W.D. personnel. Bringing in an outside agency, the Contractor had an adverse effect on the organisational and qualitative integrity of this fine department. In the early stage of development, the contractor zealously guarded his work and reputation. However, with increasing competition and a scramble for capturing the contract, ethics and integrity felt the strain and began to be compromised, more and more. In course of time, gratuity, gratification, consideration, recompense, endowment, offering, contribution, etc., through common practice and *de facto* assumed the status of respectability. And, as they became more opulent, the contractors developed their telents of winning friends and influencing the people that count, to a fine art. Indeed, evantually, it came to be recognised as the requisite occupational fitness of successful contractorship. The technical personnel of the

contractor, by and large, even though junior in experience and rank, received better pay and enjoyed superior amenities than even the senior staff of P.W.D. This imbalance, naturally, created an unhealthy situation not only paychologically and economically, but socially as well. As a consequence, envy, rivalry, fear, suspicion and allied undesirable traits crept in and vitiated the atmosphere and relationships. As a result, there has been a continuing decline in the standards of rectitude of personnel, integrity of organisation and quality of work, both relating to the Department as well as to the Contractor. In such a set-up it is only natural if a minimum of 10 per cent, as appears to be the case, has come to be recognised, by long usage, as the legitimate charges to works for getting things done. In addition, the contractor's share, on a conservative basis is taken as 15 per cent. Thus the overall cost, of farming out work to the Contractor, adds up to a *minimum* of 25 per cent of the entire outlay on works.

4. I fully endorse the views of the Committee regarding the retrenchment of the excessive and, possibly, some sinecure P.W.D. staff. However, this amounts to treating a symptom and not the disease. The problem has, therefore, to be tackled at the roots level and calls for a major scalpel treatment, to eliminate the cancerous growth and to protect the enire social organism. True, through retrenchment, an annual saving of the order of about Rs. 100 lakhs, for the duration of Plan III, is anticipated. However, the malady will persist.

5. P.W.D. is the largest department and spends nearly one-third of the total State Budget. It seems to me that if the work and activities of this Department were rationally managed, through functional organisation and in a business-like fashion, both waste and deterioration could be stayed. A review of the procedure indicates that when the entire work is done departmentally, the same person is responsible for securing progress, maintaining quality and keeping the costs down. These are mutually conflicting interests and, inevitably, one or the other is likely to be victimised, when they are centralised with a single net of men and authority. It is important to have the highly specialized work of Investigation and Design (I.D.), Construction and Installation (C.I.), and Quality Control and Achievement Audit (Q.A.) function

as distinct entities, and be administered independently. Of course, they must necessarily have a close liaison to exchange experience and knowledge to the benefit of all. Such clarity, in concept and in practice, can bear fruitful results, functionally and organisationally, in the efficient realization of scheduled projects. It would be logical to re-constitute the P.W.D. as a central body to oversee the totality of Planning and Co-ordination of work, Inspection and Auditing of performance. It is, therefore, recommended that the P.W.D. be responsible for the two distinct Branches I.D. and Q.A., while C.I. be assigned to a State Construction Corporation (S.C.C.), owned by the Government. Such a Corporation would be completely autonomous and free to concentrate its efforts in organising personnel, materials, plans for construction, and in executing works in a manner that will ensure efficient results. The S.C.C. will concentrate on major works. It would naturally organise its diverse activities in conformity to the requisite skills, techniques, equipment and machinery to effect maximum benefit to the jobs and economy to the State. The P.W.D. staff is justifiably recognised as both competent and efficient and, therefore, admirably equipped to handle the largest undertakings, as effectively as any reputed Contractor. The S.C.C. may therefore be staffed by experienced P.W.D. Engineers, drawn from diverse divisions of work such as building construction, roads, bridges, canals, dams, etc., all major undertakings. The minor capital works may, in the interest of Economy and Efficiency, be parcelled out to the local contractors.

6. As an example consider the more important items, scheduled under Plan III, that come under P.W.D. Their estimated financial implications are given below:—

		Lakhs of rupees
1.	Major and Medium Irrigation	4,066
2.	Miscellaneous and Irrigation, etc ..	1,600
3.	Power (excluding 50 per cent for electric equipment)	3,483
4.	Roads	900
5.	Ports and harbours	215
6.	Housing	500
	Total ..	10,764

7. With the exception of road maintenance all P.W.D. works, in Mysore State, are done on a contract basis. A Government Circular, I am informed, clearly spells this out. The important P.W.D. works, indicated above, amount to Rs. 10,764 lakhs. Making a deduction of Rs. 764 lakhs for minor works, the overall expenditure for major works will amount to Rs. 10,000 lakhs during Plan III. If the Government were to decide to establish a State Construction Corporation to do this work, amounting to Rs. 100 Crores, it would, by this measure save a *minimum* of 25 per cent, which would amount to Rs. 25 Crores for the duration of Plan III. This saving would constitute about 58.1 per cent of the required Rs. 43 Crores for the implementation of Plan III, that have to be raised through extra taxation and through enforcing economics in State expendiutre. It should, however, be emphasized that the S.C.C. will have to establish an organisation and to secure heavy Earth Moving Machinery, Batching Plant and allied equipment that will, naturally, take some time and considerable capital to get its work started. Allowance for this will have to be made in the overall financial implications of this scheme. If the organisation of such a corporation is considered financially difficult, at the juncture, perhaps a regional corporation could be considered in collaboration with other States. In that case, the use of heavy equipment and machinery could be phased, on a priority basis, in consultation with the partner States. This proposal for S.C.C. is neither a novelty nor a radical departure from usual government practice, since two such corporations are in active service. They are: National Projects Construction Corporation Ltd., under the Central Ministry of Irrigation and Power; and National Building Construction Corporation, Ltd., under the Central Ministry of Works, Housing and Supply. Because of works currently under contract the creation of S.C.C. may not be feasible immediately. However, in the interest of integrity, State economy and quality of work, it merits consideration for future adoption.

STATE INDUSTRIES.

8. That, in the interest of Economy and optimum utilization of human and material resources, the management of Government-owned industries, with due consideration to the viability of each individual enterprise, be

transferred from Government Department to a limited Corporation. The argument, that the transfer from Departmental to corporate management will cause a loss of revenue to the State, is specious. This is clearly indicated in the discussion under " State-owned and Controlled Industries ", of this report.

9. The current rate of 6 per cent return on investment, in Departmentally administered industries, is dismally low. This figure could be easily raised to a minimum of 20 per cent, through business-like corporate management. As a consequence of such achievement, the net income on Rs. 20 Crores of investment in State Industries would amount to Rs. 400 lakhs. Deducting Rs. 180 lakhs as Federal Tax (45 per cent of net income), the State Exchequer would still receive Rs. 220 lakhs an amount double of the present 6 per cent return, or Rs. 120 lakhs, annually. In addition, a marked improvement in organisation, relationships, morale and general efficiency would also accrue. Therefore, I strongly recommend that the matter of Corporate management be given the urgent consideration it merits and that, if the Government agrees, it be augmented at the earliest possible opportunity.

DR. BHOLA D. PANTH,
Industrial Specialist,
Member, Resources
and Economy Committee.

BANGALORE,

10th March 1962.

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PART II

ANNEXURE 1

Speech delivered by Sri A. G. Ramachandra Rao, Chairman, Resources and Economy Committee at the Inaugural Meeting held on 28th November 1960.

"It gives me great pleasure to extend a hearty welcome to you all at this inaugural meeting of the Resources and Economy Committee.

The Hon'ble Chief Minister, who had kindly agreed to come over and address us to-day, is unavoidably absent owing to preoccupations. The Hon'ble Finance Minister has made it convenient to come amongst us. I would, on behalf of the members of the Committee, request him to give us the benefit of his thoughts on this occasion. We shall in the course of our deliberations have to call on him constantly for advice and guidance, and I am sure he will give us of his best.

We are very happy that Hon'ble Mr. Shamsuddin, Deputy Finance Minister, who is concerned with taxation, is amidst us. Indeed his guidance will be very valuable.

The Chief Secretary, the Finance Secretary and the Secretaries of the other Departments of Government are also here with us by invitation. We shall necessarily have to depend upon them for many things. I have no doubt that, notwithstanding their pressing duties and engagements, they will find it possible to help us with their mature counsels, and give us their whole-hearted co-operation.

Our Committee was constituted on the 7th October 1960 and among other members, Shri B. Venkataraman, Retired Deputy Accountant General, was appointed as Member-Secretary. He entered upon his duties with great enthusiasm and I was hoping that the first meeting of the Committee could be called early this month. But suddenly, by the end of the last month, he fell ill and on medical advice, he tendered his resignation. Thereupon, immediately Mr. N. Madhava Rao, former Finance Secretary to Government, was appointed in his place. It may be noted that Shri N. Madhava Rao was a Member of the Mysore Finance Enquiry Committee 1956 and he dealt with several matters which will again come up for our consideration in a different context, alongwith a number of additional and analogous issues. Thus Shri N. Madhava Rao is a valuable link between the work of the past and present committees.

The enquiry under the present Committee differs mainly from the previous one in the following respects, *viz.*:—

(*a*) The area covered by the present enquiry is twice that of the former State of Mysore and comprises units drawn from four neighbouring States with varying basic financial features and traditions.

(*b*) The present enquiry has also to deal with economic and fiscal conditions of decentralised democracy and their effects on the State administration.

(*c*) The enquiry has to assess the improvement in the State's economy generated by the impact of the Plan schemes.

(*d*) It has above all to find out the resources for meeting the coming Plan expenditure, taking into account the extra expenditure due to the revision of salaries which is on the anvil.

These and other complicated issues will necessitate a careful investigation into the economic and financial set-up of the new State of Mysore. This is perhaps the first comprehensive survey of the financial administration of this enlarged area. I may also mention that in order to make our enquiry as thorough and authoritative as possible, the collaboration of an experienced Engineer and Industrialist may be necessary. In order to expedite the work of the Committee, specific problems may, in the first instance, be referred to Sub-Committees to be set up for purposes of study and for formulation of concrete proposals. These and the other aspects will be placed before the Committee for consideration in due course. Indeed the work before the Committee is too complicated and onerous to be completed within what remains of the allotted time.

The Committee is undoubtedly faced with a rather difficult and delicate task. While its recommendations for securing economies in Government expenditure may effect the interest of many beneficiaries and prove distasteful to them, its proposals for imposing further financial burdens may be largely un-welcome to the public and resented. But we should face-up to the unpleasantness and odium, if we have faithfully to carry out the duties entrusted to us, in the larger interests of the people of the State and of the rapid development of the country as-a-whole envisaged under the Third Five-Year Plan. It is clear therefore that without governmnental support and good-will on the part of the public, the Committee cannot well hope to function and achieve the results expected of it. I must therefore at the outset make a fervent appeal to the Government and to the people of the State to extend to the Committee their fullest co-operation and support in a generous measure.

On behalf of the Committee, may I, in all humility submit that we will be devoting our best energies in the discharge of the heavy responsibility entrusted to us. I thank all of you for making it convenient to be present on this important occasion."

ANNEXURE 2 (*a*)

THE MYSORE RESOURCES AND ECONOMY COMMITTEE

The Resources and Economy Committee has been constituted by the Government for a study of the State's financial position and problems and for recommending measures to enforce economy in Government expenditure and to raise additional resources for the Third Five-Year Plan.

2. The Committee appeals to the public for their valuable suggestions and advice and invites their co-operation in assessing the trends of public opinion in the State on the several aspects covered by the investigation entrusted to it. In order to focus attention on the more important matters having a bearing on the terms of reference to the Committee, the following questionnaire has been framed and is issued to the public for eliciting their considered views and opinions.

3. It is open to the public to enlighten the Committee either in the form of replies to the specific questions framed or in general terms in respect of all or any of the questions on which they may wish to communicate their ideas and suggestions.

4. The Committee will be grateful for the expression of public views and opinions in response to this Questionnaire, and request that replies thereto be sent so as to reach the Office of the Resources and Economy Committee, Room No. 360, III Floor, Vidhana Soudha, Bangalore, on or before Monday the 20th February 1961.

QUESTIONNAIRE

1. Are there any specific Government activities, functions, schemes, establishments, the expenditure on which is, in your opinion, either wasteful, unproductive or ineffective, may be avoided or reduced ?

2. Are there any items of 'LUXURY' expenditure or expenditure of unusual nature, particularly in the Government Hospitality-Organisation, and instances of use of costly furniture and equipment in Government offices and officials residences, which in your opinion may either be cut out or reduced ?

3. What are your views regarding the Reorganisation of the existing Divisions, Districts and Taluks in State ? Of the two patterns, *viz.*, (1) larger sized Districts and Taluks serving as viable administrative units and (2) smaller and compact areas, with a Taluk corresponding to a development block, and a District to an aggregate of 4-5 such blocks ; which do you consider is better from the point of view of economy, efficiency in administration and public convenience ? If you favour the latter pattern, do you consider a combination and merging of the revenue and development functions feasible at the village and taluk levels also ?

4. Is a decentralisation of more powers from the Government and the Departmental levels to the District level conducive to greater speed and efficiency in Government work and economy in expenditure ? Is not really any kind of decentralisation scheme largely ineffective in the absence of a convention and a self-denying ordinance on the part of the higher authorities to desist from interference in the day-to-day work of lower offices, even in matters which are entirely within the latter's competence or have already been finally disposed of ?

5. Do you consider that there is scope for a simplification of the methods of work and organisation in Government offices on the lines generally of the working of commercial and business offices and houses ? If so, please indicate specifically the Departments of Government or particular offices or activities the work in which may be approximated to the methods and procedures followed by business offices.

6. Are there any overlapping functions or schemes in any Department of Government generally, and in the sphere of social service in particular, the removal of which will result in a sizeable reduction in expenditure ?

7. Is it a fact that a disproportionate amount of time in Government offices is spent, to the detriment of public business, in dealing with personal questions relating to staff, such as pay, leave, transfer, pensions, etc. ? Is any rationalisation of service rules or simplification of Financial and Account Codes and procedures called for in order to prevent avoidable loss of public time in Government offices ?

8. On what basis may in your opinion the work of the different categories of Government employees be standardised for determining what is called the 'Work-load' ? In regard to items which are not susceptible of standardisation, what, on the analogy of similar work in Commercial and Business offices, may be taken as the criterion for determining a full day's work ?

9. Are you in favour of the establishment of an Economy Cell in each spending Department under a Financial Adviser for keeping continuous watch over the flow of departmental expenditure and for tendering financial advice to the Head of the Department, any over-ruling of such advice by the Head of the Department being required to be reported to Government in the Finance Department for a ruling ?

10. Is the number of Government holidays capable of further reduction ?

11. Are there among the Government offices in the State any which are intermediate between higher and lower offices and are serving only as a channel of official correspondence between them, the abolition of which would lessen Government expenditure without any appreciable loss of efficiency in administration ?

Is there real justification for the continuance of the offices of (1) Divisional Commissioners, (2) Revenue Sub-Division Offices, (3) Deputy Superintendents of Police, (4) Superintending Engineers, (5) Circle Conservator of Forests ?

12. Is the work done by officers such as Joint Secretaries to Government and Joint Directors in some of the Departments, commensurate with the expenditure incurred on their salaries and establishments ?

13. In regard to the category of Deputy Secretaries and Deputies to the Heads of Departments, is there scope for reduction in their number consistently with efficiency and quick despatch of work ?

14. Do you agree in the suggestion to abolish the category of Government employees called Home Orderlies ?

15. Of the recommendations made by Sri Gorwala in his report on the Mysore Administration, how many have been implemented so far and with what result ?

16. Have any ratios been fixed in the Departments and offices of Government of :—

(1) Gazetted to non-gazetted staff ;

(2) Executive to subordinate staff ;

(3) Supervisory to clerical staff and in regard to the latter of First to Second Division ; and

(4) Class IV employees to total staff ;

If so, are there offices or departments in which the prescribed ratios have been exceeded in any respect ? If no such ratios are fixed, what in your opinion should be the proportion between the different categories of staff in the interest of economical and efficient administration ?

17. Now that the public transport system in the State has developed, and any place even in the remote parts can be reached easily and quickly by means of public conveyance, is there any justification to provide touring officer with Government conveyances at considerable initial and recurring cost to Government ? What do you say to the withdrawal of all such vehicles, except in regard to officers who have emergent work to do as in the Police and Public Health Departments ?

18. Are there among the rates of Travelling Allowance any, which offend the principle that Travelling Allowance should not be a source of profit ? In view of the recent rule providing officers on duty with rent-free accommodation in Travellers' Bungalows and Inspection Lodges, can the rates of Daily Allowance be proportionately reduced ?

19. Among the existing categories of allowance to Government servants, *viz.*, Special Pay, Deputation Allowance, Conveyance Allowance, Specialist Allowance, Examination Allowance, etc., are there any which, in your view, may be abolished or reduced ?

20. Frequent and long tours of officers for attending the huge number of Conferences, Seminars and Meetings, both in and outside State is one of the reasons for the increase of expenditure on travelling allowance from year to year. Have you any suggestions for restricting the frequency of tours of officers or of the number of officers of the same Departments that may attend any one conference or meeting, whereby the expenditure on travelling allowance could be kept within reasonable limits ?

21. The abolition of the State's Upper House (Legislative Council) has been suggested from time to time. Do you agree to the suggestion ?

22. In regard to supplies of stationery and equipment made by the Government Stationery Department, do you agree that the receiving Department should pay for all supplies in cash ? What are the safeguards which you consider should be adopted to prevent abuse of the power to make local purchases of consumable stores ?

23. What are privileges and concessions now enjoyed by Government servants in the several Departments of Government which may be discontinued or scaled down in the interest of economy ?

24. Since the recent concession of free education for the children of parents with an income of Rs. 1,200 per annum and less, is not enjoined under the Constitution and the extra expenditure to Government in

the form of increased grants-in-aid to aided schools is likely to be substantial, may not the concession be restricted to (1) children of parents drawing less than Rs. 500 per annum and (2) children attending Government schools only ?

25. In regard to the execution of large projects, are you of the view that the contract system is more expeditious or economical, as compared to the method of executing them departmentally or on job work basis ?

26. In view of the need to reduce unemployment in the country how should, according to you, the outlay on large irrigational or industrial projects and constructions be planned so as on the whole to be labour-intensive rather than capital-intensive ?

27. In regard to the maintenance of State Fund Roads, is the system of departmental gangs to be preferred to the contract system in point of effectiveness of work or economy in expenditure ?

28. Is there in your opinion any needless expenditure on ornamentation or the extensive use of costly building materials like steel, cement, etc., in the construction of Government or Departmental buildings of a functional nature like schools, dispensaries, etc., which may be avoided by adopting simple but economical type designs under a rational building policy ?

29. Has a Technical Audit Cell in the Public Works Department been established ? If so, has there been any significant improvement in the execution of Projects or economy in expenditure ?

30. What in your opinion, should be done :

(1) To attract the right type of recruits to the several categories of Government employment;

(2) To improve the quality of work of Government employees by a scheme of training or refresher courses, etc., and

(3) To make the employee give of his best to Government under a scheme, if need be, of incentives and rewards for good and efficient service ?

31. To overcome the shortage of technical personnel in the several Government Departments and for minimising the pension charges, would you advise the raising of the age of superannuation of technical staff in the Engineering, Medical, Education and other Departments from 55 to 60 ?

32. National Statistical Surveys show that as a result of the First and Second Five-Year Plans, the *per capita* income in the country has risen by Rs. 42 and that the standard of life of the people in general, and in the rural area in particular, has risen. A redistribution of the additional income generated by the the plans (1) as between the urban and rural area, and (2) within each such area, as between the several income groups, also seems to have taken place. In the light of this :—

(1) What are the sectors in the State's economy which in your opinion have been benefited most by the two plans ;

(2) Has there been any rise in the real income of the people and if so, what is the distribution of the same among the different classes of people ;

(3) To what extent has there been increased consumption or savings among the upper, middle and lower classes.

(4) How have the two Plans affected the problem of unemployment in the State ? Is there in your opinion any significant improvement in the condition of self-employed artisan crafstman in the villages ?

33. In view of the estimated rise in national income and *per capita* income as a result of the Plans, and the redistribution of the national income as between the urban and rural areas in the State, what, in your opinion, is the added taxable capacity in each case generally which can be tapped for improving the resources for the Third Plan ?

34. In particular your views are invited regarding the scope for stepping up taxation in respect of the following items relating to Land Revenue, *viz.* :—

(1) Reduction in the period of currency of resettlement from 30 to 10 years ;

(2) Taxation of unearned land and property incomes ;

(3) Enhancement of water-rate and betterment levies ?

35. Has, in your opinion, the working of the State's Agricultural Income Tax Act reached the stage when (1) it could be extended to cover the income from all agricultural products, instead of plantation and selected commercial crops only; and (2) the rate of tax may be steepened further at the top levels ?

36. Is the working of the State's Sales Tax Act causing in your view any undue inconvenience or hardship to the assessees ? If so, what are your suggestions for removing the same ?

37. In regard to the scheme of Sales Tax levy, what is your opinion regarding the Taxation Enquiry Commission's recommendations (1) to lower the taxable limit to Rs. 5,000, (2) to levy the tax at multi-point at a low rate, and (3) to remove exemptions on all articles, including foodgrains ?

38. In view of the imperative need for augmenting the resources for the State's Third Plan, what are the several taxes now in force on which it is possible to levy a surcharge and at what rate ?

39. Of the many exemptions from taxes, fees and other fiscal levies in the State now enjoyed by institutions and individuals, which are those that may be safely done away with in the interest of revenue ?

40. Among the existing rates and fees levied in the several Departments of Government, are there any which are low and may be enhanced in view of the increased cost of service and of administration ? Your opinion is invited in regard to enhancement in the rates, among others, of :—

(1) Court fees.

(2) Record of Rights fees.

(3) University, School and Examination fees.

(4) Licensing fees under the several Acts.

(5) Seigniorage rates in the Forest Department.

(6) Inspection fees levied in the Industries Department under the Boilers Act and Shops Assistants Act.

(7) Audit fees in the Co-operative and State Accounts Departments, and

(8) Rates of bus fares in the Mysore Government Road Transport Department.

41. What is your opinion regarding the feasibility and effect of imposition of a tax on the movement of goods and passengers in the State ?

42. In regard to public undertakings like the Electricity Board, Mysore Government Road Transport Department, do you agree in principle that they should be required to make a contribution to general revenues on the Railway pattern, in addition to paying interest on the capital at charge ?

43. How in your view can the rent return from irrigation projects for which Capital and Revenue Accounts are kept, and from the several Government Industrial Concerns, be stepped up for augmenting the State's non-tax revenue ?

44. Since life insurance business has been nationalised, what is the scope that exists, in your opinion, for increasing the turnover of insurance business and premium income in the field of general insurance under the State Insurance Scheme ?

45. To what extent may (1) the existing rates of cesses, like the Sugarcane Cess, Health Cess, Education Cess, etc., be enhanced in the context of increasing administration costs and (2) new cesses be imposed to finance the development of cocoanut, arecanut and and cardamom cultivation, on the lines of the Coffee and Sugarcane Cesses ?

46. Overdue arrears of Land Revenue assessment, Sales Tax, etc., have mounted. In what way should the administration of the respective fiscal acts be tightened up to mop up the accumulated arrears and to ensure prompt recovery of the same in future ?

47. Is there any scheme of incentives for prompt payment of taxes which, in your opinion, will counter the tendency for the taxes to fall into arrears, so that the tax may be said to collect itself ?

48. In regard to the undermentioned fiscal Acts in force in the State, is there any scope for raising the rates of tax, or for improvement in their administration so as to yield a large revenue than at present :—

(1) Entertainment Tax ?

(2) Betting Tax ?

(3) Motor Vehicles Taxation Act ?

(4) Stamps Act ?

49. Do you favour the acceleration of the pace of nationalisation of the Road Transport in the State for raising additional non-tax revenue ?

50. In regard to the working of the Road Transport Department, what safeguards in your opinion should be adopted to plug the loopholes in the daily collections ?

51. In regard to Prohibition, opinion is divided between those who consider that the prohibition policy should be pushed through to its logical conclusion of a total countrywide ban on drinking and those who would either cry a halt or favour the scrapping of prohibition. Your own candid views are invited in this behalf. Should you favour a partial prohibition scheme, please outline the pattern which you consider will answer best the revenue needs of the State Government without loss of the profits which the working of the prohibition policy so far has conferred on the people of the State.

52. Are there any State taxes or levies the payment of which involves undue inconvenience or hardship to the assessees ? If so, what are your suggestions for removing the difficulties ?

53. Are there any taxes, fees or other levies the collection of which involves an expenditure out of proportion to the amount of revenue realised ?

54. Is there, in your opinion, legal evasion of tax liability under any of the several taxation acts of the State the removal of which calls for amendment of the respective fiscal Acts ?

55. Is there (1) laxity in the administration of any of the fiscal measures, (2) leakage of revenue, or (3) underhand methods of assessment, as a result of which there is avoidable loss of revenue to Government?

56. Among the penal measures provided in the taxation acts, are there any which are ineffective or inadequate and need to be stiffened up to prevent (1) escapement of tax liability or (2) delay in the payment of taxes?

57. Is there need, in your opinion for constituting a Revenue Audit as an integral part of the organisation of Revenue earning department, or at the Government level, for a continuous review of the administration of the State's fiscal Acts and for tightening up of the same to safeguard the States Revenue?

58. In the last 10 years the State Government has been assigning an increasingly higher share of Land Revenue to local bodies and taking over certain items of work which constitute really the responsibility of local bodies, such as the maintenance of District Board Roads, Board High Schools, etc. Now that viable local bodies are to be set up under the recent Village Panchayat and Taluk Boards Act, what are the functions and activities of local significance now administered and financed by Government which may hereafter be transferred to the respective local bodies to make the scheme of democratic decentralisation a reality? Would in your opinion the devolution of powers and functions to local bodies result in easing the strain on Government finances and if so, to what extent?

59. With statutory Village Panchayats constituted under the Local Bodies Scheme, what should be the changes in the set-up of the Development administration in the State which while harmonizing with the principle of democratic decentralisation would remove the overlapping or duplication of staff and expenditure? In particular, do you agree that the Community Development staff now functioning at the block level should hereafter be taken over by the Local Bodies along with activities like Adult Education and Social Welfare?

60. Is the amount of Land Revenue assignment together with the sources of local taxation, sufficient in your opinion to provide the finance needed by the Local Bodies to meet the cost of local administration, including the functions and items of work to be transferred to them by Government ? If not, what do you propose should be done to make the Local Bodies financially independent and viable ?

61. Do you agree that in future all credit facilities to agriculturists, short-term, medium and long-term, should be channelled only through co-operative societies, and all the industrial loans be given exclusively through the State's Industrial Finance Corporation, the budget provision under the Taccavi, Land Improvement loans and Industrial loans being deleted ?

62. In the State's Assets and Liabilities Statement, the former is shown to exceed the latter. Are you of the view that all the items included under assets are really of that character and may be classified as such ?

63. A good part of development expenditure financed from borrowed funds (including Central Government loans) is not remunerative. Even large irrigational works and projects, though technically remunerative, have not so far been yielding a net return, and even the expenditure on their maintenance is being met out of general revenues. In view of this (1) would you suggest fixing limits for the State's public borrowing in future in relation to the ability of the General Revenue to bear the debt service charges, including annual repayments ? or (2) should borrowed finance be required to be earmarked for remunerative projects only, the State's development plans being so phased as to give higher priority to projects which yield a quicker return to cover the gap until the revenue from the other projects develops ?

64. Are there any specific purposes or schemes the expenditure on which should *not*, in your opinion, be met from borrowed funds but from revenue surpluses only, as a safegaurd against over-borrowing or borrowing for unproductive purposes ?

65. Since Central loan assistance is given for non-remunerative purposes also, is it desirable to earmark

the receipt from certain remunerative projects for the repayment of such loans and interest thereon ?

66. Do you suggest the setting up of any statutory machinery to control and regulate the State public borrowing effectively ?

67. Do you, in view of democratic decentralisation, consider that Local Bodies may also be allowed to borrow for development purposes ?

68. In regard to schemes involving people's participation, are there any in which the contribution by people is only nominal ? How would you raise the proportion of local contribution in future so as to minimise the State's share of the expenditure on schemes of purely local benefit ?

Would you, as a matter of general policy, recommend the grant of Government assistance to Local Bodies in future only on the pattern of Local Development Works ?

69. Are there any Loans and Advances made by the State Government to Local Bodies or to individuals which carry no interest or a lower or a concessional rate ? What is your opinion about laying down a rule that in future all loans and advances by Government shall bear interest at a uniform rate, worked out by averaging the Government's borrowing rates, with a small addition to cover the servicing cost ?

70. A statement of loans by Government to Local Bodies, etc., which are outstanding is laid on the table of the Legislature every year. In addition, there are outstandings of sums due by Local Bodies to Government Departments for the supply of medicines, etc., and for services rendered, which remain unadjusted for long periods. *Per contra* it is alleged that local bodies have counter-claims against Government which have remained long unadjusted. Would you, in the interest of speedy settlement of all such outstandings, suggest a Clearing House under the supervision of the Accountant General, Mysore, for a review and prompt adjustment of the net differences in cash at specific periodical intervals ?

ANNEXURE 2 (*b*).

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

Organisation..............................
Location..............................
Date.....................

TABLE I.

FIXED CAPITAL EXPENDITURE, PRODUCTION COST, SALES COST AND NET PROFIT.

No.	*Years*	*Amount in Lakhs of Rupees*					
		Fixed Capital Cumulative	*Production Cost*	*Sales Cost*	*Net Profit*	*Net Profit Cumulative*	*Percentage Profit on Capital 5/1*
		1	2	3	4	5	6
1.	1948–49						
2.	1949–50						
3.	1950–51 ..						
4.	1951–52 ..						
5.	1952–53 ..						
6.	1953–54 ..						
7.	1954–55						
8.	1955–56						
9.	1956–57						
10.	1957–58						
11.	1958–59						
12.	1959–60						

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

Organisation............................
Location..............................
Date................

TABLE II.

ANALYSIS OF FIXED EXPENDITURE.

No.	*Items of Expenditure*	*Amount in Lakhs of Rupees*													*Per cent of Total*
		1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60	*Total*	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Land ..														
2.	Factory and Buildings														
3.	Plant and Machinery														
4.	Transport and Railway sidings.														
5.	Electric Installations														
6.	Residential Buildings														
7.	Furniture and Fixtures														
8.	Water Supply ..														
9.	Electric Supply ..														
10.	Sewage disposal ..														
11.	Miscellaneous ..														
	Total ..														100

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

Organisation..............................
Location..................................
Date................

TABLE III.

MANUFACTURED PRODUCTS AND ACTUAL PROFITS.

No.	*Items of Manufacture*	*Profits in Lakhs of Rupees for the Years*												*Total*
		1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60	
		1	2	3	4	5	6	7	8	9	10	11	12	13
1.	..													
2.	..													
3.	..													
4.	..													
5.	..													
6.	..													
7.	..													
8.	..													
9.														
10.	..													
11.	..													
12.	..													
Total in Lakhs of Rupees..														

RESOURCES AND ECONOMY COMMITTEE,
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Organisation..........................
Location................................
Date................

TABLE IV.

RECORD OF PRODUCTION—(Main and Bye-Products).

No.	*Items of Manufacture*	*Units**	*Quantity Produced for the Years*												*Total*
			1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60	
			1	2	3	4	5	6	7	8	9	10	11	12	13
	MAIN PRODUCTS														
1.		..													
2.		..													
3.		..													
4.		..													
5.		..													
6.		..													
	BYE-PRODUCTS.														
1.		..													
2.		..													
3.		..													
4.		..													
5.		..													
6.		..													

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* Length, weight and Volume must be expressed in Metric System.

RESOURCES AND ECONOMY COMMITTEE,
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Organisation........................
Location...........................
Date.................

TABLE V.

CONSUMPTION OF BASIC MATERIALS.

No.	Years	Quantity of Materials Consumed								
		Water Million Kilo Litres	Coal and Coke Thousand Metric tons	Oil Thousand Kilo Litres	Electricity Million K.W.H.	Other Materials				
		1	2	3	4	5	6	7	8	9
1.	1948–49									
2.	1949–50									
3.	1950–51									
4.	1951–52									
5.	1952–53									
6.	1953–54									
7.	1954–55									
8.	1955–56									
9.	1956–57									
10.	1957–58									
11.	1958–59									
12.	1959–60									
	Total ..									

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

Organisation............................
Location............................
Date....................

TABLE VI.

ANNUAL REMUNERATION, PRODUCTION PER MAN, AND PER CAPITA INCOME.

No.	*Years*		*No. of Men in thousands* 1	*Wages and Salary Lakhs of Rupees* 2	*Income* per capita *in Rs.* 3	*Production per Man/annum* 4	*Remarks* 5
1.	1948–49	.. ..					
2.	1949–50	.. ..					
3.	1950–51	.. ..					
4.	1951–52	.. ..					
5.	1952–53	.. ..					
6.	1953–54	.. ..					
7.	1954–55	.. ..					
8.	1955–56	.. ..					
9.	1956–57	.. ..					
10.	1957–58	.. ..					
11.	1958–59	.. ..					
12.	1959–60	.. ..					
		Total ..					

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

Organisation..........................
Location ....
Date.................

TABLE VII.

TYPE OF QUARTERS, NUMBER OF UNITS AND MONTHLY RENTALS.

No.	Buildings		Monthly Charges in Rupees for				Remarks
	Types of	Number	Building	Electricity	Water	Total	
		1	2	3	4	5	6
I. BUNGALOWS							
1.	..						
2.	..						
3.	..						
4.	..						
II. QUARTERS.							
1.	..						
2.	..						
3.	..						
4.	..						
III. HOSTELS.							
1.	..						
2.	..						
3.	..						
4.	..						
IV. OTHER BUILDINGS.							
1.	..						
2.	..						
3.	..						
4.	..						

RESOURCES AND ECONOMY COMMITTEE,
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TABLE VIII.

ANNUAL FINANCIAL AID TO RESIDENTIAL COLONY.

No.	*Items for the years*		*Expenditure in Thousands of Rupees for*							*Working Population*	Per Capita *Expenditure* 7/8
			Education	*Housing*	*Medical*	*Sanitary*	*Recreation*	*Others*	*Total*		
			1	2	3	4	5	6	7	8	9
1.	1948–49	Capital ..									
		Recurring ..									
2.	1949–50	Capital ..									
		Recurring ..									
3.	1950–51	Capital ..									
		Recurring ..									
4.	1951–52	Capital ..									
		Recurring ..									
5.	1952–53	Capital ..									
		Recurring ..									
6.	1953–54	Capital ..									
		Recurring ..									
7.	1954–55	Capital ..									
		Recurring ..									
8.	1955–56	Capital ..									
		Recurring ..									
9.	1956–57	Capital ..									
		Recurring ..									
10.	1957–58	Capital ..									
		Recurring ..									
11.	1958–59	Capital ..									
		Recurring ..									
12.	1959–60	Capital ..									
		Recurring ..									
	Total	Capital ..									
		Recurring ..									

RESOURCES AND ECONOMY COMMITTEE,
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Organisation............................
Location............................
Date......................

TABLE IX.

CO-OPERATIVE CREDIT SOCIETY.

(*Note* :—Please furnish individual tables for Co-operatives of Consumers' and Building Societies).

No.	*Items*	*For the Years*											
		1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60
		1	2	3	4	5	6	7	8	9	10	11	12
1.	Potential Members ..												
2.	Actual Members ..												
3.	Shares Subscribed * ..												
4.	Paid up capital in thousands of Rupees.												
5.	Compulsory Savings ..												
6.	Reserves ..												
7.	Fixed Deposits ..												
8.	Profits ..												
9.	Working Capital at the year end.												
10.	No. of Loans Granted												
11.	Loans granted in thousands of Rupees.												
12.	Average Loan in Rupees												

* The value of each share is Rs ....

RESOURCES AND ECONOMY COMMITTEE,
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Organisation..........................
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TABLE X.

CATEGORIES OF PERSONNEL.

No.	Categories	Number and Percentage of Personnel of the Years																							
		1948–49		1949–50		1950–51		1951–52		1952–53		1953–54		1954–55		1955–56		1956–57		1957–58		1958–59		1959–60	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
	A. DAILY-RATED.																								
1.	Un-skillled																								
2.	Semi-skilled																								
3.	Skilled																								
4.	Highly skilled																								
	Total (A)																								
	B. MONTHLY-RATED.																								
1.	Semi-skilled																								
2.	Skilled																								
3.	Highly Skilled																								
4.	Others																								
5.	Trade Apprentices																								
6.	Graduate Apprentices																								
7.	Clerical																								
8.	Supervisory Non-Technical.																								
9.	Supervisory—Technical																								
10.	Officers—Technical																								
11.	Officers-Administrative																								
	Total (B)																								
	Total (A) + (B)		100		100		100		100		100		100		100		100		100		100		100		100

RESOURCES AND ECONOMY COMMITTEE,
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TABLE XI.

TOTAL AND AVERAGE ANNUAL EARNINGS OF EMPLOYEES.

No.	For Years	*Daily-Rated Employees*			*Monthly-Rated Employees*			*Total earnings in lakhs of Rupees 1+4*
		Earnings in Lakhs of Rupees	*Number*	*Average Annual earnings in Rupees*	*Earnings in Lakhs of Rupees*	*Number*	*Average Annual earnings in Rupees*	
		1	2	3	4	5	6	7
1.	1948–49							
2.	1949–50							
3.	1950–51							
4.	1951–52							
5.	1952–53							
6.	1953–54							
7.	1954–55							
8.	1955–56							
9.	1956–57							
10.	1957–58							
11.	1958–59							
12.	1959–60							

RESOURCES AND ECONOMY COMMITTEE,
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TABLE XII.

WAGES, SALARIES, DEARNESS ALLOWANCE AND BONUS.

No.	*Years*	*Number of Employees*	*Amount in Lakhs of Rupees*					
			Wages	*Salaries*	*D. A.*	*Annual Bonus*	*Attendance and Production Bonus*	*Total earnings*
		1	2	3	4	5	6	7
1.	1948–49							
2.	1949–50							
3.	1950–51							
4.	1951–52							
5.	1952–53							
6.	1953–54							
7.	1954–55							
8.	1955–56							
9.	1956–57							
10.	1957–58							
11.	1958–59 ..							
12.	1959–60							
	Total ..							

RESOURCES AND ECONOMY COMMITTEE,
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Organisation..............................
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TABLE XIII.

WEEKLY HOURS OF WORK AND LEAVE SCHEDULE.

			Permissible Days of Leave Per Year					
No.	*Category of Workers*	*Hours per Week*	*Casual Leave*	*Half Pay including sick leave*	*Earned Leave*	*Holidays (not including Sundays)*	*Total*	*Relative leave percentage*
		1	2	3	4	5	6	7
1.	Daily-Rated * ..							
2.	Monthly-Rated ..							
3.	Supervisory ..							
4.	Class I Officers ..							

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*The Factories Act allows one day of earned leave, to all daily-rated workers, for every 20 days of work performed during the previous calendar year.

Resources and Economy Committee,
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TABLE XIV.

Work Shift Timings and Personnel Employed.

		Industrial Workers			*Clerical Workers*			*Technical+Supervisory*			
		Work Periods			*Work Periods*			*Work Periods*			
No.	*Work Shifts*	*From*	*To*	*Number Working*	*From*	*To*	*Number Working*	*From*	*To*	*Number Working*	*Total Number working*
1.	Morning ..										
2.	Evening ..										
3.	Night ..										
4.	General ..										
	Total .										

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TABLE XV.

ACCIDENTS, MAN-DAYS, FREQUENCY, RECORD OF ACCIDENTS AND SAFETY.

	Number of Accidents		*Man days Lost (in thousands)*	*Man-days worked (in Lakhs)*	*Number of workers*	*Frequency of Accidents*	*Severity of Accidents*
	Fatal	*Non-Fatal (Lost time)*					
	1	2	3	4	5	6	7
1. 1948–49							
2. 1949–50							
3. 1950–51							
4. 1951–52							
5. 1952–53							
6. 1953–54							
7. 1954–55							
8. 1955–56							
9. 1956–57							
10. 1957–58							
11. 1958–59							
12. 1959–60							

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TABLE XVI.

HOSPITAL STAFF AND RELATED STATISTICS.

No.	Items		*For the Years*										
			1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60
			1	2	3	4	5	6	7	8	9	10	11	12
	PERSONNEL.													
1.	Doctors	..												
2.	Technicians	..												
3.	Nurses	..												
4.	Compounders	..												
5.	Nursing Orderlies	..												
6.	Midwives	..												
7.	Miscellaneous	..												
	Total	..												
	FACILITIES.													
8.	Beds	..												
9.	Dispensaries	..												
10.	Operations—													
	(i) Major	..												
	(ii) Minor	..												
	Total	..												

RESOURCES AND ECONOMY COMMITTEE,
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TABLE XVII.

NUMBER OF SCHOOLS, TEACHERS, OTHER STAFF AND STUDENTS.

No.	Items	*For the Years*											
		1948–49	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	1955–56	1956–57	1957–58	1958–59	1959–60
		1	2	3	4	5	6	7	8	9	10	11	12
	SCHOOLS.												
1.	Kindergarton ..												
2.	Primary ..												
3.	Secondary ..												
4.	High ..												
5.	Technical ..												
6.	Others ..												
	PERSONNEL.												
7.	Teachers ..												
8.	Other Staff ..												
9.	Students ..												
10.	Students per Teacher ..												

RESOURCES AND ECONOMY COMMITTEE,
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Location..........................
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TABLE XVIII.

AGE GROUPS AND DISTRIBUTION OF EARNINGS OF EMPLOYEES.

No.	*Age Group*		*Employees*		*No.*	*Monthly earnings including allowances in Rupees*	*Employees*		*Earnings in Rupees*	*% of total earnings in Rupees*	*Ratio of % (Col. 6/4)*
			No.	*%*			*No.*	*%*			
			1			2	3	4	5	6	7
1	15 and below	..			1	Over — 3,000					
					2	2,500 — 3,000					
2	16 — 20	..			3	2,001 — 2,500					
					4	1,701 — 2,000					
3	21 — 25	..			5	1,501 — 1,700					
					6	1,301 — 1,500					
	26 — 30	..			7	1,101 — 1,300					
					8	901 — 1,100					
5	31 — 35	..			9	751 — 900					
					10	601 — 750					
6	36 — 40	..			11	501 — 600					
					12	401 — 500					
7	41 — 45	..			13	301 — 400					
					14	251 — 300					
8	46 — 50	..			15	201 — 250					
					16	151 — 200					
9	51 — 55	..			17	101 — 150					
					18	71 — 100					
10	56 — 60	..			19	51 — 70					
11	Over 61	..									
	Total	..		100				100		100	

Resources and Economy Committee,
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TABLE XIX.

Educational Status and Opportunities of Training for Employees.

Status	*Employees*		*Training Programme*	*No. of Employees Trained*	
	No.	*%*		*Current Year*	*Last Year*
A Illiterates			A Literacy Classes		
B Literates			B General Education		
C Passed :—			C In-shop Training		
1. Primary School			D Technical Training		
2. Middle School			E Apprentice Training		
3. High School			F Supervisory Training		
Note :—For the items below only indicate the highest degree of each employee).			G Administration Training		
			H Other Opportunities		
			J Other remarks		
D Holding Certificates, Diplomas and Degrees :			....		
1. Certificate			....		
2. Diploma			....		
3. Bachelor's			....		
4. Master's			....		
E Advance Degrees :—					
1. Professional					
2. Doctor's					
F Other Remarks					
....					
....					
....					
....					

RESOURCES AND ECONOMY COMMITTEE,
GOVERNMENT OF MYSORE.

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TABLE XX.

AMENITIES PROVIDED FOR THE EMPLOYEES.

(Please indicate the fact by placing a check mark).

Services	*Available*		*Per cent Participation*	*Remarks*
	Yes	*No*		
A. Creches				
B. Children's Education—				
1. Nursery School				
2. Middle School				
3. High School				
C. Housing				
D. Medical Care—				
1. Hospital				
2. Number of beds				
3. Preventive Treatment				
4. Curative Treatment				
5. Dispensary				
6. Maternity Service				
7. Family Planning				
E. Rest and Recreation				
F. Cultural Activities				
G. Canteen				
H. Co-operatives				
I. Transportation				
J. House Magazine				
K. Other Remarks				

ANNEXURE 2 (c)

List of persons who responded to the Questionnaire issued by the Resources and Economy Committee

1. Director of Medical Services, Bangalore.
2. Director of Animal Husbandry and Veterinary Services.
3. Director of Technical Education.
4. Chief Engineer, Communications and Buildings.
5. Government Architect.
6. Managing Director, Mysore State Financial Corporation.
7. Divisional Commissioner, Gulbarga.
8. Inspector-General of Police.
9. Accountant General, Mysore, Bangalore.
10. Director of Public Health in Mysore, Bangalore.
11. Director of Publicity and Information, Bangalore.
12. Commissioner for Religious and Charitable Endowments.
13. Commissioner for Labour.
14. Controller of State Accounts.
15. Shri V. Narasimha Murthy, Civil Judge, Dharwar.
16. Shri V. S. Patil, M.L.C., Hubli.
17. Shri Shankar Deo, M.P., Begumpet, Hyderabad.
18. Shri K. Channabasvangowda, M.L.C., Bachigondanahally, Bellary District.
19. Shri A. V. Ramanathan, Visveswarapuram, Bangalore-4.
20. Gudibande S. Rama Rao, Jayanagar, Bangalore-11.
21. Shri Ranga Rao Badaseshi, Gazipura, Gulbarga.
22. Shri P. Venkatasubba Rao, Narasimharaja Road, Bangalore-2.
23. Mysore Government Insurance Department.
24. Shri P. V. Ramakrishna, Superintendent, Revenue Department, Mysore Government Secretariat.
25. Shri J. M. Lobo Prabhu, Mangalore.
26. Shri B. H. Desai and Friends, Haliyal, North Kanara.
27. Shri S. A. L. Razvi, Development Commissioner, Bangalore.
28. Chief Engineer, Mysore State Electricity Board.
29. Shri T. P. Krishnachar, (Retired), Gavipuram Extension, Bangalore-19.
    (Entire Records are with the Member-Secretary).
30. Shri H. V. Narayana Rao, Chief Engineer, Hydro-Electric Construction Project.
31. Miss D. Cartner, M.B.B.S., Retired Superintendent, Chaluvamba Hospital, Main Road, Whitefield.
32. Shri T. R. Neswi, M.P., New Delhi (Camp).
33. Tahsidar, Humnabad.
34. Shri R. P. Vasudeo, Law Secretary, Mysore Government Secretariat.
35. Shri Y. C. Hombalayya, Secretary, Mysore Public Service Commission.
36. Shri H. V. R. Athre, Mysore Economic Review, Bangalore-2.
37. Inspector-General of Prisons.
38. Chief Conservator of Forests.

39. Shri F. W. Corbett, M.L.A., Bangalore.
40. Shri D. K. Srinivasachar, Divisional Commissioner, Gulbarga.
41. Shri M. L. Advani, State Port Officer, Mangalore.
42. Shri M. Subramanyam, Secretary to Government, Commerce and Industries Department.
43. Shri C. J. Padmanabha, Deputy Commissioner, Mangalore.
44. Kanara Chambers of Commerce, Mangalore.
45. Shri H. M. Kale, District Educational Officer, Coorg, Mercara.
46. Shri K. S. Gangadhara, (Retired) Chief Engineer of Mysore.
47. Coorg Planters Association, Mercara.
48. Shri Amin Bhavi, Superintending Engineer, Belgaum Circle.
49. Deputy Commissioner, North Kanara, Karwar.
50. Shri K. M. Pooviah, Mercara, Pollibetta.
51. Shri Dharanendraiya, M.A., Director of Literary and Cultural Development.
52. Shri H. Ramakrishna Rao and Shri N. S. Girimaji, Shimoga.
53. Deputy Commissioner, Mangalore.
54. Director of Fisheries, Bangalore.
55. President, District Bar Association, Gulbarga.
56. Shri Gundacharya Tanglikar, Gulbarga.
57. Shri I. C. Subbiah, I.A.S. (Retired), Sri Nivas, Mercara.
58. Registrar of Co-operative Societies, Bangalore.
59. Secretary to Government, Public Health, Labour and Municipal Administration Department.
60. Deputy Commissioner, Bidar.
61. Special Chief Engineer, Sharavathi Valley Project.

ANNEXURE 3

Tours of the Resources and Economy Committee in the State

PLACES AND PROJECTS VISITED

Places	*Date of visit*
Mercara	12—5—1961
Shuntikoppa, Chittahalli	13—5—1961
Puttur	13—5—1961
Mangalore	15—5—1961
Suratkal	16—5—1961
Udipi	17—5—1961
Malpe	17—5—1961
Jog	18—5—1961
Hubli	12—6—1961
Dharwar	14—6—1961
Belgaum	14—6—1961
Sankeswara, Hidakal	15—6—1961
Hospet	25—6—1961
Munirabad	26—6—1961
Kamalapur	26—6—1961
Gangawati	27—6—1961
Sindhanoor	27—6—1961
Manvi	27—6—1961
Raichur	27—6—1961
Yaramaras	27—6—1961
Gulbarga	28—6—1961
Bidar	29—6—1961
Bhadravati	7—7—1961
Lakkavalli	7—7—1961
Shimoga	8—8—1961
Kolar Gold Fields	12—10—1961
Mandya	26—10—1961
T.-Narasipur	28—10—1961
Kollegal	28—10—1961
Sivasamudram	28—10—1961
Karwar	26—1—1962
Bijapur	23—1—1962

Projects.

Sharavathi Valley Project	18—5—1961
Mahatma Gandhi Hydro-Electric Project	18—5—1961
Ghataprabha	15—6—1961
Bhadra Project	7—7—1961
Tungabhadra Project	27—7—1961

Names of Government Industrial Concerns visited

Regional Workshop, Mysore Government Road Transport Department, Hubli	13—6—1961
Mysore Iron and Steel Works, Bhadravati ..	7—7—1961
Government Soap Factory, Bangalore ..	13—10—1961
Government Porcelain Factory, Bangalore ..	13—10—1961
Government Electric Factory, Bangalore ..	13—10—1961
Government Central Industrial Workshop, Bangalore	13—10—1961
Government Silk Filatures, Kollegal ..	28—10—1961
Kolar Gold Fields Mining Undertakings ..	12—10—1961

ANNEXURE 4

STATE-OWNED AND CONTROLLED INDUSTRIES

(Dr. Bhola D. Panth, Industrial Expert and Member, Resources and Economy Committee)

INTRODUCTORY

In the march of rehabilitation and modernisation, the State of Mysore has many firsts to its credit, among the States in the Indian Union. It holds the palm for envisioning the necessity of geological prospecting for natural resources and in initiating industrial development. In 1894, the State established a Department for the exploration and exploitation of ores and minerals. It recognised, at the close of 19th Century, the prime importance of electrical power for industrial development. At the turn of the century, in 1902, it pioneered the first Hydro-Electric generating unit in India, on the Cauvery, at Sivasamudram. From this source electrical power was transmitted through a distance of 92 miles, a line then considered the longest in the world, to the Gold Mines at Kolar. Mysore has an estimated potential of 4 million kilowatts, out of which the State hopes to develop nearly 2 million Kilowatts by 1966. This will give a clue to the future prospect of developing power potentials of the State, a crucial challenge worthy of contemplation and accomplishment.

2. The detailed geological surveys reveal a variety of economic minerals, chief among them being asbestos, bauxite, chinaclay, chromite, corundum, felspar, gold, iron, ore, kaolin, kyanite, limestone, magnesite, manganese, pyrites and quartz. Mysore has established a Board of Mineral Development to mine and supply minerals for domestic concerns. It also handles export of minerals through the Federal State Trading Corporation. The Malnad area is rich in forest wealth and provides teak, bamboo, soft-wood, fuel-wood, cashew, eucalyptus and sandal-wood. A number of major and minor industries such as lumber, rayon, furniture, ply-wood, paper, matches, etc., rely upon forests for their raw materials. The Forest Utilisation Unit of the State needs to be encouraged to rationalise the techniques for salvaging timber, through minimising the waste, involved in the handling of forest produce. The 200 miles of coastline provide ample scope for the development of fisheries, cold storage, ship building and shipping industries. Thus the State is endowed with ample resources to advance rapid industrial development, the better to enrich the 'good life' of its citizens.

3. To assess the State of the Government-owned industries relating to personnel, production, capital investment, return on investment, etc., the Committee circulated twenty *pro-forma* tables, [*see* Annexure 2 (*b*) pages 496 to 515] detailing directions for the required facts and figures. With the sole exception of the Kolar Gold Mining Undertakings (KGMU), the

data furnished by other State Industries either failed to conform to pro-forma or proved inadequate and contradictory. The requisite information as supplied by the KGMU was perhaps an index of their business-like acumen, organisation and management. In most other cases the response was slap-dash and even incongruous. A consistent analysis of the data received was impossible. The following figures are obtained from the 1961 publication, of the Mysore Government Press, *Brief Notes on the working of State and Central Government Industrial Undertakings and Government Aided Concerns in the State.*

TABLE 1

Principal Government-owned Industries, Capital Investment and Average Per Cent Return on Investment

Industry	*Abbreviation*	*Investment in lakhs of rupees*	*Average percentage annual return on investment* 1956-1960
Mysore Iron and Steel Works ..	MISW	818.76	9.75
Kolar Gold Mining Undertakings ...	KGMU	180.29	9.50
Government Porcelain Factory ..	GPF	162.22	Loss since 1956-57 (amounting to Rs. 36.19 lakhs)
Government Electric Factory ..	GEF	35.52	9.55
Government Soap Factory	GSF	31.64	46.00
Government Implements Factory	GIF	21.21	5.93
Government Sandal Oil Factories (2) ..	SOF	22.04	15.3
Central Industrial Workshop, Bangalore ..	CIW	14.64	Loss since 1957-58 (amounting to Rs. 3.65 lakhs)
Government Silk Weaving Factory ..	GSWF	12.03	5.85
Hatti Gold Mines Company ..	HGMC	77.79	Loss since 1957-58 (amounting to Rs. 17.28 lakhs)
Jai Hind Saw Mills, Dandeli ..	JHSM	11.10	4.95

Government Sandal Oil Factories

4. A review of the State enterprises, in the chronological order, shows that the first industrial enterprise to be established was the Sandal Oil Factory at Mysore in 1916. Another plant was established in Shimoga in 1944. According to figures in Table I these two Sandal Oil Industries, among all State enterprises, show next to the highest return on capital investment, an average of 15.3 per cent for the years 1956-60. This return on investment is far from adequate, since the industry enjoys a monopoly market. During the 45 years of its life the management, of this promising and precious enterprise, has wholly failed to evolve the technique of analysing works accounts in order to systematically eliminate wasteful efforts, and to make correct appraisals so as to bring about greater efficiency. Consequently, it can have little purposeful regulation and less control over operating costs in the industry. Cost Accounting, Works and Methods Study comprise indispensable tools for successful management. Also, there is neither a development section nor a research wing to augment existing techniques and to evolve better methods for the growth and advance of the industry, which is a veritable world monopoly. To gain best results from these two factories, therefore, modernising and streamlining, not only of equipment and techniques but of personnel and outlook as well, is absolutely necessary. Recognising that the Sandal Oil fetches the State Exchequer precious hard currency, this enterprise merits a most meticulous technical and organisational study to ensure optimum benefits.

Government Soap Factory (GSF)

5. The Government Soap Factory (GSF) was started in 1919, at Bangalore. The data furnished to the Committee by Government Soap Factory are so grossly confounding that a correct assessment of the financial position, from year to year, is rendered difficult. The figures impart a sense of unreality. Obviously, the organisation lacks both the systematic accounting techniques and competent accounting staff. Introduction of cost accounting methods and trained staff are the indispensables for Government Soap Factory. In addition, the organisation does not utilise the techniques of Works Study, Rationalisation and Statistical Quality Control. The archaic boiled process of making soap needs to be substituted by a more economical modern method. Idle equipment was also observed in the premises of Government Soap Factory. However it is clear, from the data quoted in the above table that Government Soap Factory tops the list of the State Industries, in showing an average of 46 per cent profit on investment, for the period 1956-60. In fact, in 1956-57, it has reached the peak at 72 per cent. An analysis of the data for that year should furnish valuable clues for this excellent performance. Considering the deficiencies of tools and techniques and of modern management, Government Soap Factory personnel has indeed established an enviable record. It should easily surpass its best record once better facilities and organisation are placed at the disposal of its personnel.

Mysore Iron and Steel, Limited (MISL)

6. The march of industrialisation in Mysore State began in earnest in 1923, with the operations of a complex of industries—the Mysore Iron and Steel Works (MISW), at Bhadravati. For initiating this premier and many other State undertakings, it is only fitting to record our homage to the pioneering vision and genius of *Bharat Ratna* Mokshagundam Visvesvaraya. The absence of mineral coal did not deter him and, instead, he used charcoal for the manufacture of pig iron. Gradually, as per planned development and utilisation of bye-products, the plant was expanded to produce mild steel, ferro-alloys, cast iron and spun pipes, steel castings, cement, refractory, acetic acid, wood alcohol and tar. This enterprise, from its very inception, has been managed as a Department of the Government of Mysore and administered through a Board of Management. The Minister of Industries and the Managing Director being *ex-officio* Chairman and Vice-Chairman, and a number of nominated members of the Board drawn from Legislature, from the public, and officers from Ministries of Industry, Finance and Forests.

7. The State of Mysore also pioneered in initiating a modern housing estate for industrial workers. In 1928, the Mysore Iron and Steel Works Board of Management constituted a Town Board to develop a Housing Scheme for its employees. This planned township has steadily grown and now accommodates nearly 50 per cent of Mysore Iron and Steel Works employees. It provides sanitary, water and electric facilities in all the buildings. It maintains a 120-bed hospital for the employees and their dependents. It runs a technical school offering a diploma and a certificate course in Civil, Mechanical and Electrical Engineering. For the benefit of working employees evening classes are offered. There are 2 high, 8 middle, 12 primary and 3 nursery schools within the colony. Five Literary Centres in the township cater to the needs of the illiterate population in 4 different regional languages. It has also a Family Planning Centre. The residents take lively interest in dramatics. Management actively encourages diverse cultural interests, throughout the community, and provides a reading room and library, recreation as well as sports facilities. Labour-Management relations at Bhadravati have been in very good order since 1942. It was in that year that Mysore Iron and Steel Works introduced the scheme of an annual bonus, which amounted to a month's salary, to all employees. In 1952 a Good Attendance Bonus was also introduced. It is worthy of note that since 1944-45 workers have earned bonus equivalent to 2 to 3 month's wages per year. This is evidence of workers interest in enhanced production. Indeed, the Labour-Management team at Mysore Iron and Steel Works occupy an honoured place in setting the fashion of industrial truce. *The Memorandum of Settlement,* signed by the Mysore Iron and Steel Works Labourers' Association (MISWLA), is a notable document and merits quoting.

In part it says :—

> " .... that in view of the imperative need to build up the National Economy and to undertake the planning of the further development of the industry by speeding up production, the employees represented by Mysore Iron and Steel Works Labourers' Association hereby agree not to place any fresh demand or demands or declare any strike during the period of 5 years with effect from 1st November 1956 ".

8. The date is symbolic of the spirit of the agreement since it marks the reorganisation of Mysore State. While these lines are being written the Labour-Management achievement of team-work, that is the truce at Bhadravati, is being emulated in Kolar Gold Mining Undertakings—the largest industry in the State. This agreement went into effect from December 1, 1961 and covers a truce period of 40 months. It confers on the 15,800 daily and monthly rated workers at Kolar Gold Mining Undertakings, additional benefits in dearness allowance, bonus and provident fund. In the interim, three year truce contracts had been previously signed by Government Sandal Oil Factory, Government Electric Factory and Government Soap Factory in 1959; and Government Porcelain Factory, Mysore Implements Factory and Central Industrial Workshop, Bangalore in 1960; and at Government Silk Weaving Factory in 1961. Such contagious action will generate a sense of psychological and economic security among workers and, it is hoped, will materially aid industrial stability and will result in expeditious achievement of their targets. Thus industrial truce has become the order of the day in the State undertakings and, no doubt, will have salutary influence over the industries, throughout the country, to ensure the success of the considerable expansion contemplated during the Third Plan.

9. The current Scheme, of increasing plant capacity of Mysore Iron and Steel Works—will utilise the latest LINZ and DONAWITS (alloxygon) process of converting pig-iron into steel. When completed, the capacity of production is expected to be 1,00,000 tons of ingots and 85,000 tons of steel sections per year, as against the current figures of 30,000 and 25,000 tons, respectively. The total capital investment is anticipated to amount to Rs. 30 crores. The total personnel is expected to be in the order of 13,000 as against the current 8,400 in the Mysore Iron and Steel Works roster. No doubt the Management has taken necessary steps to train skilled personnel to meet the needs of the projected expansion. The installation of machinery and equipment is expected to be completed by December 1963.

10. Among State Industries Mysore Iron and Steel Works has a notable record for its receptivity to employee needs and for initiating sound labour policies. It is the only State-Industry that is utilising the techniques of Statistical Quality Control to insure high quality of their products. It is however deficient in Works and Methods Study; it has neither a development nor a cost accounting section; it offers no in-shop training programme,

nor does it enlist the active participation of the employees by taking them into confidence and sharing with them the plans and working targets, which affect their work and their interests. These shortcomings can perhaps be ascribed to hierarchical outlook, structural handicaps, organisational inhibitions, departmental red-tape, frustrating bureaucracy, remote control administration, delayed decisions, prolonged communications and protracted action. All these veritable fetters are the end-result of high degree of centralisation and the absence of delegation of authority to the man on the spot, at the shop level. Since these factors encumber the march of progress, corrective measures have become indispensable. The predominance of the political and departmental constituents in the Board of Management, naturally, affects the character of its policies and decisions. Despite their best intentions and conscientious efforts, they get involved in industrial fray and partisans make allegations of communal, political and related tugs. Even the collective decisions of the Board are not immune from unjustified criticism, which gain extensive currency through rumour mongers. In such an atmosphere it is not unnatural if the morale sags further and the managerial initiative, delegation of authority, recognition of merit and technical competence are further impaired. The present Government of Mysore merits high praise for its vision and decision to administer this enterprise on sound commercial lines by converting it into a private limited company. In fact, on June 30, 1961, Mysore Iron and Steel Works was registered as Mysore Iron and Steel, Limited (MISL), and will take over the assets beginning with the financial year, April 1, 1962. This arrangement is designed to permit complete autonomy, which will facilitate delegation of authority, commensurate with responsibility, and thereby ensure satisfactory operations and efficient administration. Indeed, to make an auspicious beginning, Mysore Iron and Steel, Limited deserves a policy making Board of Experts and a decentralised, streamlined, and business-like administrative machinery to effectively translate the Boards' decisions and directives. Under such auspices, utilising the full potentials at Bhadravati, a model community-centered industry can be established, as is so clearly indicated in the following quotation from the *imrup* survey of January 1957 :—

> "Mysore Iron and Steel Works occupies an honoured position in the growth and calculations of our nation towards the elimination of diseases, poverty, unemployment and progressively to raise the standard of living. Bhadravati is indeed unique; unique in location and climate; unique in providing good housing to its employees; unique in its community, which is constantly growing and progressing; unique in potentiality of both human and material resources; unique in harmonious labour-management relations; unique in opportunities for establishing a live and contagious industrial democracy. Above all it is here that, for the first time in India, Labour and Management have signed a Five-Year contract to expedite the Second Five-Year Plan. Bhadravati has shown the way to lead the nation and it is most advantageously situated to set an example for Industrial India".

Government Silk Weaving Factory: (GSWF)

11. The industry was established in Mysore in 1932 to encourage the silk enterprise in the State. The equipment and the looms are all nearly 30 years old and, as a result, its costs of production are higher than those of the competitors and, correspondingly, the returns smaller. Besides, it is reported to have accumulated inordinately high stocks which implies poor planning and reckless management. The data furnished to the Committee by the authorities, were most conflicting. The 1961 Public Account Committee Report, Part II, records capital investment in Government Silk Weaving Factory as 12 lakhs (P. 16) and 14 lakhs (P. 103), while the figure given to our Committee stands at Rs. 14.24 lakhs. What is one to make out? On the basis of the figures quoted in Table I, the average annual yield on investment is 5.85 per cent, for the period 1956-60. Obviously, the industry merits a scrutiny by experts of its organisation, equipment and machinery, techniques of production, and sound advice on the regulation and control of operating costs. It is hoped that with the projected modernisation, under Third Plan, it will be reorganised along sound commercial lines.

Government Porcelain Factory: (GPF)

12. The enterprise was organised in 1932 to supply the growing demand of insulators for transmission and distribution of electric power. With the expanding electric potentials of the nation, this industry has a ready market and therefore constitutes a vital national enterprise. The figures furnished to our Committee by Government Porcelain Factory, even though the plant is equipped with the latest equipment and machinery, shows consistent losses from 1956-57 to 1959-60 totalling Rs. 50.23 lakhs. This loss amounts to nearly 30.96 per cent of the fixed cumulative capital of Rs. 162.22 lakhs. Even though the Government Porcelain Factory plant was recently built and is presumably equipped with the latest machinery and facilities, it has sustained losses, consistently, since 1956. According to Table I the total losses for the period 1956-60, amount to Rs. 36.19 lakhs, while the fixed and working capital up to the year 1959-60 stands at Rs. 162.22 lakhs. In the figures supplied to the Committee, while the losses agree with the above figure, the cumulative fixed capital is reported to be Rs. 90.60 lakhs. The two Parts of the Public Accounts Committee Reports of 1961 place the figures for capital invested up to 1959-60 variously, at Rs. 162 lakhs (Part I, P. 41) and Rs. 92 lakhs (Part II, P. 275). How can such diversity be explained? Would it be unfair to comment that something is basically wrong in the lowest common denominator of accounting at Government Porcelain Factory? Under such circumstances it would be too much to expect Government Porcelain Factory to have detailed operational indices for materials, machines and men, the principal ingredients of production, to assess the trend of efficiency. The conditions prevailing in Government Porcelain Factory bespeak of the inadequacy of

timely controls, of an irrational structure and an unbusiness-like organisation. The dereleetion of management is accentuated by the fact that the drift in decline continued unimpeded, year after year, for four consecutive years.

Government Electric Factory : (GEF)

13. The Government Electric Factory was founded to meet the developing electric light and power needs of the State. It started production in 1935. The main line of production is transformers, but it also makes transmission line towers, line hardware, drawing and surveying instruments, bakelite parts and industrial accessories for local electrical and telecommunication industries. It has to meet keen competition since there are 17 companies in India engaged in the manufacture of transformers. It employs about 1,000 persons. The extension scheme of Government Electric Factory includes stepping up of production of transformers, manufacture of motors, switchgears and switch boards. Government Electric Factory has shown profit consistently since 1951-52. In 1959-60 its fixed capital amounted to Rs. 33.95 lakhs and the net profit was Rs. 3.25 lakhs or 9.5 per cent. The lay-out of the plant is inadequate. The industry has no Development Section, no Methods and Works Study, nominal Cost Accounting, has no way of assessing the trend of efficiency of the enterprise, since it has no operational norms for materials, machines and men. It has no Statistical Quality Control to ensure top quality products. There is no provision for in-shop training for the employees, to be equipped with skilled personnel and to meet the specific needs of the projected development scheme. Considerable machinery is idle, which locks up precious capital.

14. The Government Electric Factory and Government Porcelain Factory, both located in Bangalore, are complementary industries and constitute a powerful combine for the manufacture of electric power equipment. They will be of tremendous service when the Hydel potentials of the State and the electrification targets of the nation approach realisation. It is imperative, therefore, to organise these industries on a rational and business-like manner, at an early date. The projected installation of the aluminium industry in North Kanara invests vast opportunities and greater importance to these two allied industries. It is therefore a happy augury that a systematic expansion and modernisation programme for Government Electric Factory is being undertaken in collaboration with AEG of Germany. When it moves to a well planned modern building with a sequential lay-out, it can start with a clean slate.

Mysore Implements Factory (MIF)

15. To meet the requirements of the rural people, this factory was established in Hassan and went into production in 1940. It manufactures pick-axes, mortar pans, *mumties*, shovels, buckets,

hammers and crow bars; also, ornamental steel fittings, transmission line towers and RCC poles for the State Electricity Board. It employs nearly 250 persons. Capital invested amounts to Rs. 21.21 lakhs and the average annual return, for the years 1955-60, is about 5.93 per cent. This low yield can be safely ascribed, to the absence of the indispensable analytic techniques and control measures, such as Methods and Works Study, Cost Accounting and Rational Management. Introduction of a business-like management in Mysore Implements Factory administration should bring far greater returns to the State.

Kolar Gold Mining Undertakings (KGMU)

16. A British Firm, John Taylor & Company, started mining gold at Kolar, in 1881. The Company imported the then best known techniques and equipment from England. Since the enterprise was primarily run for profit, naturally, it laid great stress on maximum return on investment. All machinery being imported and scarce, therefore, assumed extraordinary value to the industry. In contrast, human labour, being abundant and cheap, had little greater significance than any other commodity readily available in the market. Consequently the human aspects relating to labour, in the lowest rung of the enterprise, were either ignored or got lost. In sharp contrast to the conspicuous affluence of the British staff, the lot of the lowest paid workers was ignobly low. They were housed in hovels, with burlap partitions for walls, and earned a measly wage. Equally manifest was the Company's callous disinterest in the cultural deficiencies of the workers. The mines, however, were operated and administered in a businesslike and relatively efficient manner. The credit side of this enterprise was the intelligent application of such diverse productivity techniques and managerial tools as planning, production control, cost accounting, exploration, development and expansion, and production bonus. These assets, along with the Indian Personnel and their skills, constitute a precious legacy from the Company, even though the industry was operating with most of the antiquated machinery, installed at its inception nearly 80 years ago. This situation, it is presumed, was probably due to Company's desire to retain the labour-intensive nature of Industry rather than making it capital-intensive, by way of modernising plant and equipment.

17. In November 1956 the Kolar Gold Mines were nationalised and Mysore State paid a compensation of Rs. 164 lakhs to the former owners. The enterprise was renamed as Kolar Gold Mining Undertakings (KGMU). Today it stands out as the premier State Industry employing nearly 15,800 persons and sustaining a population of 1½ lakhs. Since nationalisation, Kolar Gold Mining Undertakings has shown a net profit of Rs. 27.45 lakhs for 16 months (November 29, 1956 to March 31, 1958); of

Rs. 12.3 lakhs for 1958-59 and Rs. 18.27 lakhs for 1959-60; the corresponding percentage return on investment for the years being 11.4, 6.9 and 10.1, respectively. The new Management, with its receptive and experienced personnel, has embarked upon a planned modernisation of plant and equipment. The Development Section has shown ingenuity and resourcefulness in designing and fabricating equipment, in utilising local skills, in using domestic materials to meet the needs of expansion and modernisation. Only such complicated heavy machinery is being imported as cannot be possibly manufactured in India for some years to come. In Nundydroog Mine a new crushing plant is being installed; the Treatment Plant is being modernised; and the Stamp Milling Plant, of 1881 vintage, is being replaced by one of the latest design, which will also increase the capacity by 33 per cent. Thus by systematically adding vital improvements, in the context of the long-range plan, the Development Section is not only saving us considerable hard currency, but is also helping in evolving skills, techniques, co-operative effort and spirit. Above all, it is generating self-reliance, cultivating mutual esteem and contributing effectively to make Kolar Gold Mining Undertakings, as far as possible, a self-sustaining industry.

Sericulture Industry.

18. Mysore State contributes nearly 75 per cent towards the production of raw silk in India. Sericulture constitutes a major cottage industry in the State. In 1950 a research station was established by the State at Channapatna, which has now developed into a full-fledged Sericulture Research Institute. To administer it along the lines of National Laboratories, the State had handed over its management to the Central Silk Board. To ensure regular supply of personnel, the Mysore Government has established a Sericultural Training School, also at Channapatna. Over a million people in the State are dependent for their sustenance on the sericulture industry. Nearly 1.85 lakh acres are under the cultivation of mulberry; the production of silk is about 19 lakh pounds; the production of filature silk has reached 2 lakh pounds; and the production of cottage basin silk has exceeded the 4 lakh pounds mark. The Government runs three Filature plants at Kollegal, Kanakapura and Mysore. The last two have shown consistent losses since 1950-51, while at Kollegal the industry has been in the red since 1954-55. The workmen in these enterprises barely make a subsistence wage, even though there have been slight improvements in machines and equipment. Finally, the Mysore Silk Mills, Ltd., at Channapatna, adds to this melancholy picture. In 1936, to aid the silk reeling industry in the State, the Government sponsored this enterprise. It had a career of 20 years of vicissitudes, which ended up in liquidation in 1956. The Government stepped into the breach and retrieved this vital enterprise, from the Official Liquidator in 1960, for a sum of Rs. 16 lakhs. The Government hopes that, through modernisation of plant and equipment and utilisation of latest techniques, it can rehabilitate the Spun Silk Industry in the State. During Third Plan it is contemplated to raise the spindlage from

the current 6,000 to 7,500 spindles. Such a record of sericulture industry present a depressing picture. However, with the application of intelligence and resolution, a potential calamity can be transformed into a hopeful opportunity. Since it is an industry with promising potentials and the well-being of over a million of citizens is involved in it, it merits a conscientious and solicitious study by experts, with a view to rationalise and stabilise the entire industry and to establish it on a sound footing.

Miscellaneous Enterprises

19. In addition to the industries discussed above, the State is also running a few other vitally useful enterprises. The Central Industrial Workshop (CIW), at Bangalore, was organised in 1917 to attend the repairs and servicing of machinery and equipment, belonging to Public Works Department. It also undertook job orders for the manufacture of steel racks, index cabinets, cylinders for pug mills, galvanising pins, C. I. motor sliding rails, etc., for Government departments. Nearly Rs. 15.47 lakhs have been invested and it has sustained a total loss of Rs. 3.65 lakhs, during 1957-60. It employs about 200 persons. With the works shifting to the new premises, and with its expansion and modernisation schemes, it is hoped that the Government will initiate business-like methods and practices and streamline the management, not only to ensure solvency but to show adequate profit on invested capital.

20. With the reorganisation of the State, in November 1956, Mysore inherited three important enterprises, namely, the Hatti Gold Mines Co., Ltd., from Hyderabad State; the Jai Hind Saw Mills at Dandeli from Bombay State; and the Government Industrial Workshop at Mercara from the State of Coorg. Besides, in 1960 the States of Mysore and Andhra jointly organised, Tungabhadra Steel Projects, Ltd., for producing steel structurals and equipment to meet the needs of their River Valley Projects.

21. The Hatti Gold Mines Company, Limited went into operation in 1948. Its line of production includes gold, silver and copper. In 1959-60 the fixed capital of this enterprise stood at Rs. 77.79 lakhs. It carries on its rolls an average of 1,540 employees. During the years 1956-60 this industry sustained a total loss of Rs. 17.28 lakhs. No doubt the rich experience of Kolar Gold Mining Undertakings is being advantageously utilised to set right and make this key industry viable through further planning, exploration, expansion and development. The Government of India has accorded requisite encouragement to help the industry stand on a firm footing. With the use of modern management tools, it is hoped that soon it will give a creditable account of its progress and thereby become a source of substantial revenue to the State.

22. The Jai Hind Saw Mills, at Dandeli, started production in 1918 and continues to function with the original machinery and equipment, installed at its inception. It is administered by the

Forest Department and employs an average of 160 workers. During the year 1959-60 it reached the peak of its fixed capital of Rs. 11.10 lakhs. Despite old machinery and equipment, it has shown a net profit of Rs. 5.19, Rs. 6.50, Rs. 6.10 and Rs. 2.02 lakhs, respectively, for the years 1956-57, 1957-58, 1958-59 and 1959-60. No doubt, with the modernisation of plant and equipment and with a long-range plan in view, this industry will become a source of tremendous revenue since it is located in North Kanara—a district which has been about 82 per cent of its total land area in lush tropical forests. Indeed North Kanara is a pivotal area for the lumber, paper, rayon and allied industries. Planned and judicious felling of trees and optimum use of forest produce, through rationalised processing of lops, tops and timber, is really indispensable in the interest of economy and maximum revenue to the State. To this end the Jai Hind Saw Mills should contribute handsomely, once the industry is systematically organised and administered with the aids of latest machinery, methods, equipment and techniques.

23. With the integration of Coorg in the State of Mysore, the Government Industrial Workshop at Mercara, came under the control of the Board of Management of Industrial Concerns of the Government of Mysore. This small enterprise came into being in 1954, as a servicing unit for equipment and vehicles of the erstwhile Coorg State. Up to 1959-60 its fixed capital stood at Rs. 2.42 lakhs. The number of employees average about 42. During the years 1956-60 it has been in the red, amounting to a total loss of Rs. 56,764. The district of Coorg and the neighbouring malnad areas provide abundant forest resources awaiting economic utilisation. The Government have therefore decided to install a lumber mill, as an important adjunct to the workshop. The Government has planned also to modernise the servicing unit and to install a new mill at a cost of Rs. 2.54 lakhs, during Third Plan. Under this scheme it is projected to utilise waste materials as a bye-product for the manufacture of diverse articles. It is, therefore, a highly commendable scheme and holds promise for the State Treasury.

24. It is worth recording here that the annual revenue from trees and timber of about Rs. 7 crores is low. The injudicious use of forest harvest—particularly of sandalwood, teak and "firewood"—and inadequate planning and organisation for their rationalised utilisation, have contributed to considerable waste and resulted in substantially shrunken revenues to the State. The situation is further aggravated by the unconscionable smuggling of sandalwood. The losses due to lops and tops and small size teak, sold as firewood—all these constitute a severe drain on the State Exchequer. Strategic location of seasoning plants, lumber mills and furniture factories, within easy reach of forest areas, would greatly help. With a view to make optimum use of forest products, through standardization of sizes and rationalisation of the processes, it will become convenient also to utilize potential waste, at a minimum cost, for such bye-product enterprises as toys, wooden containers, packing cases, ply-wood, matches and

paper. Such location of enterprises would also effect economy in railway haulage by supplying standard size timber instead of the space consuming logs. Further, the State could develop, with the co-operation of the Indian Standards Institution, Standards for compact, portable components, for all types of furniture. These could be shipped at a minimum cost and would facilitate easy assembly on reaching their destination. In addition to Dandeli in the North and Mercara in the South, a number of similar centre could be strategically established to develop forest-products industries, and thereby eliminate haulage of logs and raw wood and effect considerable saving to individual enterprises, to the State and the Nation.

25. In addition to the industries discussed above, the Government of Mysore owns controlling interest in six autonomous limited companies. The State has the right of nominating the Chairman, the Managing Director and Directors to the Board of Management of these limited Companies. They are selected from the State Civil Services Cadres. Relevant statistics regarding these industries are given below :—

TABLE II

Government Limited Companies, Fixed Capital and Percentage Return

Limited Company	*Year Production began*	*Fixed Capital in lakhs of Rupees 1959–60*	*Average number of employees*	*Percentage of Dividend for the years*			
				1956–57	1957–58	1958–59	1959–60
Mysore Industrial and Testing Laboratory.	1932	4.70	200	11	12	12	16
Mysore Sugar ..	1934	58.43	4200	20	30	30	30
Mysore Chrome Tanning.	1940	4.83	103	Loss	Loss	Nominal Profit.	Loss
Mysore Lac and Paint Works.	1948	2.04	100	5	5	7	11
Radio and Electricals Manufacturing.	1949	16.68	660	13	16	16	23
Mysore Fruit Products.	1958	0.73	7	..	..	Loss	Loss

26. It is noteworthy that the three largest corporate enterprises above, show better returns than the comparable industries administered under the aegis of a Government Department. The Mysore Government also retains financial interest in 13 Public Limited and Joint Stock Companies. In all of them the Government is represented by the Chairman and two Directors in the Board of Management. Among them Mysore Paper Mills, Ltd.,

Mysore Tobacco Company, Ltd., Mysore Lamp Works, Ltd., Associated Cement Companies, Ltd., and Mysore Kirloskar, Ltd., stand conspicuous in their returns on investments. *None* of these 13 companies indicates any losses. Only one small company, employing 20 persons, has failed to declare dividends. Two industries are still under construction and have not gone into production. The Government also has investments in three Sugar Co-operative enterprises, as well as in two of the four Central Government undertakings, located in Bangalore.

Management of State Industries

27. It is aximatic in modern industry that the level of productivity is a direct function of the acquisition and application of correct tools, techniques, skills, organisation and personnel. With a few exceptions the tools in most Government industries are passable, the techniques distinctly inadequate, the skills of workers compare favourably with the best in the world, while the organisations are not only frightfully poor and deficient, but archaic. Even a cursory study makes it abundantly clear that the problems of managing State-owned industries has received scant expert attention. It has however been realised that autocracy cannot manage an enterprise that requires intimate co-operation, cordial human relations, harmoneous team-work and high degree of co-ordination from the individual shop level, through middle management, to the very top administrator. In the departmentally administered industries—because of the high degree of centralisation, constitutional deficiences and the resulting allied inhibitions—a supervisor is afraid both to assume responsibility and to take initiative in his work. As a consequence, he develops diffidence which he transmits to those under him. Indeed, sharing of authority and responsibility constitute important factors for successful Industrial relations. And modern management is as much a matter of establishing sound human relation as that of utilising skills, techniques, equipment and machinery. Consistent with the 1956 Industrial Policies Decision, the State industries must necessarily be models in human relations, technological and operational techniques, sound organisation and efficient administration. It is then that they will be in a position to set an example, in producing goods and services on an economic basis, worthy of public emulation. The record amply shows that most State industrial enterprises requires a streamlined organisation with an alert staff. The staff deserves to be properly groomed, through training and experience, and with a prospect of promotion, because of proficiency and merit, through the different rungs, to the topmost position in the industry. Such a prospect challenges the imagination and abilities of the personnel, creates the requisite morale for making superior contribution and higher attainments.

28. The inescapable fact throughout India, as indeed elsewhere, is that ordinary Government department is quite unequipped to run an industry. The departmental rules, regulations, procedures,

related red-tape and disinclination to take quick decisions, render it inert to administer a dynamic enterprise. The absence of decentralisation of authority, to correspond with the responsibility, further acts as a brake to prompt decision and expeditious action. Besides, a civil servant is, both by training and temperament essentially a servant of *laissez faire*, habituated to routine, wedded to bureaucracy and superbly trained for a negative role. The typical higher civil servant is thus admirably equipped for the official job of regulating, controlling and preventing the wrong things from happening. He is naturally cautious, avoids risks and shuns the danger of setting bad precedents. In such a bureaucratic setting an administrator, no matter how 'very competent, cannot possibly rise over the limitations inherent in the organisation and the related circumstances. He develops an occupational handicap. Therefore it would be extremely unfair and fallacious to expect such a person to throw caution to the winds and suddenly to switch on to a positive and dynamic role in industry, where he must unceremoniously discard ineffective methods and traditions, no matter how well entrenched; innovate radical concepts and practices; court risks to effect quick and correct decisions; move with energy and speed to execute them; and finally, blaze new trials for the achievement of the desired goals. Thus an industrial organisation must not be encumbered with static rules and traditions, inane red-tape and banal bureaucracy, and inordinate fear and insecurity.

29. The dynamic character of industry calls for leadership with an appreciation of new needs, policies and practices and of harmonious team-work, mutual regard, and prompt co-ordination to effect economy in operations and efficiency in output. This is best achieved through decentralisation of authority and the practice of industrial democracy, in the exercise of co-operative work and in an 'atmosphere of intimate and friendly human relations. These requisites stand in conflict with the official outlook that a civil servant develops, through training and experiences, in his itinerant administrative career. Itineracy, by its very nature, cannot possibly encourage abiding interest, lasting loyalty and devoted attachment to an establishment or an institution. Besides, by the time he acquires a grip on the workings of industry, the administrator is transferred to what may well be quite a new field of activity.* An autocratic system, even though guided by requisite rules and regulations, was probably indispensable for Empire building but is highly inappropriate for an endeavour that calls for stable relationships, continuity of management, a high degree of collaboration and intimate democratic team-work. Leardership of a nomadic character does not provide any moorings for industry, and is an utter loss, both in experience and personnel; and a disastrous

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* The matter of frequent transfers of civil servants was severely criticised in a number of meetings which the Committee had sponsored to elicit public opinion. In one such meeting the Chairman pointed out to the public that the roster of Deputy Commissioners, adorning the North Kanara District Headquarters, carried 18 names for the period 1947-1961.

waste, when there is such a dire paucity of industrial administrators throughout the country. The appointment of another civil itinerant, to the top vacant post in an industry, acts as an irritating reminder of the abortive hope for the technically qualified and meritorious administrators within the industry. Such a perennial denial of the top-posts to the deserving, within the industry, causes considerable heartburning and a sagging of morale, throughout the organisation. Sheer waste and misuse of talents and the related aggravations can be easily averted by creating a permanent cadre of Engineering personnel, from within the industry at large, and carefully grooming them for top administrative posts.

30. Industrial management is a highly developed profession and requires specialised training and experience. Therefore, in the interest of prudent practice and effective management, all viable industries must be divorced from departmental stewardship and, in the interest of flexible and business-like management, made autonomous. A guiding cannon of such an organisation should be decentralisation of authority, commensurate with responsibility, down to the smallest functional unit at the shop.level. Such an approach is in keeping with industrial requirements, will encourage assumption of responsibility and will enable the personnel to cultivate the requisite *esprit de corps* to function efficiently, without fear or frustration. A consummation of this nature will be best realised if the industries are administered by a Board of management, manned by technically experienced members, within the ambit of a public corporation. The Mysore Government has recently turned over the steel enterprise at Bhadravati to such a corporation for business-like management. Similar laudable step, it is hoped, will also be taken in the best interests of other State industries. Indeed, traditional ideas, practices and relationships in Government industries will continue as diehards, so long as departmental management remains at their helm.

General and Technical Management

31. Man is the nucleus around whom the structure of modern industry has developed. No man, no industry. Without the attention and care of men, machines canot last very long. The development of the people and the utilisation of their potentialities is the *Mula Mantra* of successful industry. Management, therefore, relates primarily to the development, of personnel, and secondarily to the direction of organisation, materials, techniques, machines, production and controls. General Management in industry is a combination of highly complicated human relationships and remarkably cultivated social processes. Its primary tasks are planning, co-ordination, operation and regulation of an enterprise, requiring high degree of co-operation to produce quality goods and/or services, efficiently. A large industry today represents a colossal collective effort, of brain and brawn, which has to be so synchronised and regulated as to make optimum use of men, materials, machines and equipment. To effect these ends, harmoniously and competently, management must necessarily

generate, in the entire personnel, a high sense of responsibility and self-confidence. Each person employed in the enterprise must sense that he has a stake in it. These traits can be best achieved through a comprehension of common goals, cultivation of mutual respect and the practice of co-operation and team-work among the personnel; and through application of the principles of decentralisation, democratic supervision and delegation of authority, to the lowest viable functional unit in industry.

32. The above stated desired goals are impossible of achievement within the context of the existing organisational structure and administrative set-up in the the State industries. Indeed, the prevailing pattern conduces all adverse traits, with the result that most workers are ill-informed and ill-trained, uninterested in work and disinclined to co-operate, devoid of incentives or initiative; and most supervisory and administrative staff are indifferent to share knowledge and afraid to delegate authority. Naturally, in the absence of common-interest, fellowship, mutual trust and regard, co-operation and team-work are greatly vitiated. Such an atmosphere robs the personnel of the opportunity of cultivating individual potentials and, simultaneously, denies the possibility of co-operating and rendering greater service to the enterprise. This constitutes an all around tragic loss of talent and usefulness to the enterprise, to society and, above all, to the individuals concerned. The record of labour-management relations at Mysore Iron and Steel Works and Kolar Gold Mining Undertakings has been particularly notable, since it is based on co-operation and mutual understanding. Indeed nothing good, great or lasting can possibly be achieved without mutual regard and co-operation. These two enterprises have all the needed requisites for the next step in democratic decentralisation in industry, namely, taking the workers into confidence, according them opportunities of growth and development, and thereby helping them to acquire greater sense of responsibility in their occupations. With growing self and mutual confidence and maturity, assumption of individual and group responsibility will naturally follow. Once such a healthy atmosphere is created, it should be easy for management to extend the sphere of democratic decentralisation, by entrusting more and more responsibilities, more resources, more delegation of authority, to spur initiative at the gross-roots level, the better to enable a group to function efficiently. Democratic decentralisation, therefore, constitutes the foremost instrumentality in the hands of industrial leaders, who aspire to succeed at their responsible posts. It should have priority number one in general management.

33. Technical management relates to design, lay-out of machinery and equipment, processing, production and attainment of greater efficiency. Any efficiency is best expressed through the elimination of waste in materials and labour, and maximum utilisation of a worker's interest of machinery and equipment. These are best achieved through the application of such common place management tools as Method and Works-Study, Rationalisation, Cost Accounting, Technical Controls over materials, machines, operations, production and quality of manufacture. Likewise, Research and Development should constitute vital organs

for the growth and progress of every important industry. Among the Government Industries, only Kolar Gold Mining Undertakings can boast of active Development and Cost Accounting Departments, while Mysore Iron and Steel Works stands conspicuous for utilising statistical Quality Control techniques. The rest of the industries are neither equipped nor manned to implement them. They have little to show in the direction of utilising the indispensable management-tools mentioned above. Indeed, evidence of their absence is well advertised by way of fragile accounts, inadequate planning, poor lay-outs, irrational organisation, idle men, stores and machines, poor production and low return on investment. For example, considerable capital must be locked up in idle machinery in Government Electric Factory, Government Soap Factory, Mysore Implements Factory and perhaps in other factories. Government would do well to compile a list of unusable machinery and circulate it among the State industries with a view to utilising them. If no occupation can be found for these machines, they should be disposed of to avert further deterioration and depreciation. Precious hard currency is locked up here and the machines and equipment should be put to use without further loss of time. Introduction of Cost Accounting in the industries should receive top priority. It is a particularly valuable tool in regulating and controlling costs, in eliminating wasteful efforts and in making correct appraisals to effect economies, systematically. The accounting system in most Government industries appears to be in bad shape and merits careful study to evolve a rational and uniform pattern, that could be applicable to all. It is therefore recommended that the Government, in consultation with the Comptroller of State's Accounts, work out a standard system of recording statistics relating to personnel, finances, production sales and other relevant accounting aspects pertaining to industry. Such an instrumentality would eliminate the appalling diversities and would facilitate ready comparisons and intelligent summing up, when and if an assessment of Government enterprises, as a whole, is undertaken. A study of this nature would be very revealing and valuable for an orverall perspective and evaluation of State Industries.

Research and Development

34. It is worth stressing that Research and Development (R & D) have played a notable Economic role in the phenomenally accelerated technical and industrial progress of the USSR and USA. Research and Development constitute the two co-ordinated arms engaged in solving the practical problems of industry. They are truely indispensable to minister to the basic needs of continuity, growth and vigour of an industry. Thus Research and Development should be problem-oriented. The sphere of Development should comprise the utilisation of the latest knowledge for improving and refining the methods, tools and techniques of fabrication, so essential for enhancing efficiency in a mass production industry. It should be purposeful and always striving to bring about improvements through simplification, standardisation and rationalisation. By these vital

means it will be able to achieve minimisation of materials, of human effort and time, and effect over-all economy. These are necessary for the health and life of an expanding enterprise.

35. To ensure the success of such striving, the most worthwhile ingredient is the eliciting of originality and resourcefulness of individuals and groups, working in concert. Ultimately, it is the responsibility of management to spot out practical men of incisive intellect and use them as leavening agents to form an effective development team. Their creative talents should be encouraged full-play to perfect existing facilities and to improvise and invent new ones. Precisely the same approach holds true for the Research Wing in the Staffing of personnel. Research is a laborious, perserving and single-minded proposition and, therefore, calls for men of indefatigable and sustaining character. It has to be built, step by step, to explore all possible avenues. It seeks to evolve radically new scientific methods, materials and processes, to advantageously utilise them for the progress and continuity of the industry. Research thus helps in discovering productive, qualitative and economic measures to facilitate utilisation of readily available indigenous materials. In this manner it hopes to make the industry entirely self-reliant in the long run. The Development Organisation, in contrast, meets with short-range problems of rectifications, improvements and refinements. It virtually pays for itself, in a short period, through accruing economies in diverse productive activities—economies in human efforts, in materials and in the use of equipment and machinery. On the other hand, Research is a long-term project and rarely brings prompt return. However, it does contribute spectacularly to novel means and radical methods to handsomely enrich the industry. No industry can really hope to survive long without its own Research and Development Organisation.

Skills, Techniques and Training.

36. Even more compelling than the endowments of Research and Development—to expedite the conversion of their discoveries, inventions and improvisations to actual work situations—are the requisite mastery of disciplines, techniques and skills that must be acquired, *systematically*, by the personnel in industry. Not unlike Research and Development, the investment, made by the industry in a training programme, will amply pay for itself, in no time, in enhanced morale as well as in output, both quantitatively and qualitatively. Such a programme will provide added incentive to the employees for meritorious work and a sense of security by way of advancement and the prospect of promotion. Thus each industry, since it deals with highly specialised techniques and skills, must become a training ground for its personnel, where practical experience will be consistently implemented by theoretical comprehension. Besides, no educational institution can possibly assess better, the peculiar nature and quality of specialised training required, than the industry itself. Truly, an efficient management is best equipped to determine the quality and the

type of skills, technical and supervisory, that it will need. In anticipation of its expansion needs, the industry can then be prepared to meet the requisite supply of personnel by projecting its training programme and tailormade courses. Indeed, with expanding industrial needs within the State, a continuing stream of supply of technically trained personnel will be more and more necessary. It is precisely to meet such exigencies that practically every large industry in U. K. runs its own Staff College for Officers, Training Centre for the supervisory cadre and a Technical Institute for job-training to the workers. Besides, talent scouts of management within the factory are on a look-out for youth, with potentials and promise, to facilitate a carefully planned programme for their training and development. In this context the worker not only enjoys the security of a lien on his job, but optimistically looks forward to carving a career with the company, at the completion of his training. These industries have come to value the over-all educational programme as highly beneficial to morale, to skillful workmanship, to better relationship and, finally, to efficient production. Such educational opportunity, provides the worker with a stake in the enterprises, invigorates his interest and spurs enthusiasm in his occupation. Besides, he is most likely to seek a niche within the organisation and, threfore, may offer his very best efforts in return. In appreciation of this view it is recommended that an in-shop training programme, for employees at different levels, be initiated at Kolar Gold Mining Undertakings and Mysore Iron and Steel, Limited. Those two pilot projects should be initiated at an early date to ensure long-rage needs and benefits. The establishment of a systematic training programme for workers in mining and metallurgy, in the two top industries of the State, will set these enterprises on a sound footing from the point of view of trained personnel. The practical experience gained from these educational pilot projects will be of great value in initiating similar programmes, suiting their peculiar needs and conditions, at Government Porcelain Factory, Government Electric Factory, Government Soap Factory, etc.

Building Surplus for Industrial Expansion

37. The organisation of new industrial enterprises and the expansion of existing ones are virtually imperative to build up State affluence, to raise the living standards and to extend the avenues of employment. For these ends capital is needed. Therefore, capital accumulation is the *sine qua non* to ensure the success of our current and future State Plans. Total value of capital assets of Mysore State stands at 153 crores, out of which irrigation and industries constitute important sources of capital accumulation. It is, therefore, all the more important that the State industries be operated and managed efficiently in a business-like manner. The present investment in State industries is of the order of 20 crores (13.7 per cent of total capital assets) and gives an over-all return of only 6 per cent (Rs. 120 lakhs), even though the industries are tax-free. A conservative return on investment, in competative industries, is considered to be between 15 to 20 per cent. Some private Industries earn

considerably greater yield. Even the recently organised Central Government Industries with large investments in modern plant and equipment—providing housing, educational, cultural and recreational facilities for their employees, paying comparatively better wages and also meeting their tax obligations—have shown, within the short span of their existence, for better yields than the pioneer Mysore State Industries. Actually there is no reason why business-like operated and regulated State industries should not fare as well as the comparable industries in the private Sector. This point has, in fact, been high-lighted by the record of Federally-owned Hindustan Machine Tools, Ltd. (H.M.T.), and Indian Telephone Industries, Ltd., in Bangalore, and many more located throughout the country. For example, the Hindustan Machine Tools starting from scratch, within the 7 years of autonomous and corporate life, has entirely, with its own internal financial resources, put up a second Machine Tools Factory designed to double its output. In addition, it declared a dividend of 10 per cent for 1960-61. During the years 1956-57 to 1960-61 Hindustan Machine Tools has shown increasing net profit on share capital of 1.02, 5.54, 7.15, 8.22 and 13.90 per cent, respectively. With foreign technical collaboration it has been able to start a Watch Factory, as a subsidiary industry. Further, the Government of India has approved the construction of 2 proto-type machine tool factories, under the promotion of Hindustan Machine Tools, during Third Plan. What has been achieved in a Central Government administered industry in Bangalore, can certainly be duplicated by Mysore State managed industries. For that matter, a competative enterprise, the Mysore Sugar Co., Ltd., which is chairmaned by a Government nominee and managed by a full-time Government employee, has yielded a dividend of 30 per cent for three consecutive years 1957-1960. The record of other Mysore Government limited companies, in Table II, compares most favourably with those of Departmentally operated ones, given in Table I. It is worthy to note that the Radio and Electricals Manufacturing Co., Ltd., is utilising the S.Q.C. techniques to produce quality goods. It declared a dividend of 23 per cent in 1959-60, even though it is producing goods for a highly competative market.

Corporate Management of State Industries

38. Thus the average annual return of 6 per cent yield on Mysore State Industries is a frightfully low figure. The Government appears to be reluctant to transfer the management of industries to autonomous stock companies, since the State will sustain a loss of 45 per cent of net income by way of Federal taxes. To review the economies of this situation an analysis of the relevant items is given below. Table III furnishes the amounts corresponding to 10, 11, 15, 20 and 25 per cent of total earnings on Rs. 20 crores, that is now invested in Mysore State Industries. It also gives corresponding figures for Federal Tax deduction at the rate of 45 per cent of net income. Finally, it gives the balance of 55 per cent of the net yield, the share of the State exchequer from the corporately administered industries.

TABLE III

NET INCOME, FEDERAL TAXES AND NET YIELD TO THE STATE FROM 20 CRORES INVESTED IN GOVERNMENT CORPORATION

No.	*Items*	*Percentage of Investment*				
		10	11	15	20	25
1	Net Income : lakhs of Rs. ..	200	220	300	400	500
2	Taxes (45 per cent): lakhs of Rs. ..	90	99	135	180	225
3	Net Yield (55 per cent): lakhs of Rs. ..	110	121	165	220	275

39. The present revenue—accruing from industries to the State, on Rs. 20 crores of investment in industries at 6 per cent—amounts to Rs. 120 lakhs. Once the management of industries is transferred to autonomous corporations, it will be possible to proceed in a business-like manner and, gradually, to streamline the organisation, stamp out procedural anomolies, rationalise working methods, decentralise both authority and responsibility, develop *espirt de corps,* enthuse personnel and encourage initiative, expedite decisions and facilitate prompt implementation, boost morale eliminate waste of labour, material and time and, finally, achieve effective productivity and efficiency. With the application of modern management, tools and techniques in the organisational and technical levels, the rise in net income of industries should be a natural consequence. A reference to Table III will show that—under corporate management, up to 10 per cent return on investment—the net yield to the State will be less than the current return of Rs. 120 lakhs. However, this amount will be exceeded once the 11 per cent mark is reached. So that the net yield to the State for 11, 15, 20 and 25 per cent return on investment will be, respectively, Rs. 121, 165, 220 and 275 lakhs. In the interest of self-reliance it is suggested that State Industries, if and when they are brought under corporate management, should be required to achieve a minimum target of 20 per cent return on investment, within 2 years. Realization of such a goal will ensure Rs. 220 lakhs per year, nearly double the current yield, despite the 45 per cent of the net income going to the Central Exchequer as taxes. Payment of 45 per cent in taxes appears to be quite in accord with the Biblical injunction "Cast thy bread upon the waters". Indeed, do not the States also benefit by the affluence of the Central Government, by way of diverse subsidies and grants received through annual and Five-Year Plans ? Thus, it is clear that the transfer of Management to an autonomous Corporation will be a blessing from human, technical, organisational, productive and remunerative points of view. The conversion of State industries into autonomous corporations is also endorsed by the Accountant General of Mysore (*vide* 1961 Report of P. A. C., Part II, page 114).

British Experience

40. A careful review of the British experience can provide us with an insight into their management of nationalised services and industries. The growth of the social service organisations, during the first three decades of the 20th century—specially the experience bearing on health, education and housing—had a progressively greater influence in extending the public sector of the economy. The British Parliament nationalised Tele-Communications, Radio Broadcasting and London Passenger Transport during the twenties. The pressures of World War II, however, necessitated the imposition of stricter social controls. These controls were levied upon men and materials, rationing of scarce consumer articles and, consequently, resulting in a rigorous overall Socio-Economic Planning, by the Government of U. K., to win the war and to protect the country from economic chaos. These steps became necessary to ensure some semblance of fair distribution of the bare essentials to life, health and, above all, to sustain general morale. As an aftermath, soon after the close of World War II, nationalisation of key enterprises became also indispensable for the economic survival of U. K. Consequently, commencing with the Bank of England, the British Parliament nationalised essential industries and services like Coal, Gas, Electricity, Inland Transport, Civil Aviation, Television, Atomic Energy and National Health Services. Because of nationalisation it became possible to rationalise, integrate, reorganise, plan and modernise these basic industries on a sound and business-like footing. All nationalised enterprises in U. K. are administered, by statutory public corporations, with clearly defined and specific tasks. Their Boards of Directors and staff are carefully chosen for their competence and experience in a particular field. They are not civil servants and are held responsible for the management of the corporations. The Chairman and members of the Board are appointed by the responsible Minister.

41. The Minister guides and gives general directives as to how the industry should be run. However, he never interferes with day-to-day management. Any ministerial meddling, in the internal affairs of the Board of the industry, is recognised as having a vitiating effect on organisation and morale, since it impairs the initiative, drive and efficiency of the administration. The Minister, however, is entitled to call from the Board for any information, statistics and financial accounts. He is kept fully informed and all major policy decisions of the Board are reached in consultation with him. The Minister is empowered, with the concurrence of the Treasury, to determine the utilisation of the surplus accruing from nationalised industries. Democratic decentralisation and delegation of authority, to correspond to responsibility, constitutes the working philosophy and practice of State industries in U. K. The Minister responsible for each nationalised industry is also required to zealously safeguard and protect the interest of the industry's customers. Thus the device of autonomous public corporation facilitates business-like administration of the enterprise in the State sector, and forestalls

the possibilities of ministerial interventions in the affairs of the industry. Besides, such a step protects the industries and their personnel from being made a political shuttle-cock on the floor of the legislature. As a measure of performance audit, since 1957, the House of Commons has established a Select Committee on the Nationalised industries, to examine their Annual Reports and Accounts, and to assess their record.

42. It was under the Labour Government in U. K. that Nationalisation commenced in 1946, in earnest. This government drew heavily from the experience of such large private enterprises as the Imperial Chemical Industries, Unilever, Imperial Tobacco, Courtaulds, etc., to organise the industries and their Boards of Management in the Nationalised sector. Through long experience these private Companies had come to regard the continuity of their Managing Boards as the *raison de etre* of their enterprises. They recognised that such continuity can only be built on organisational integrity, which they sedulously cultivated through establishing fairplay, sound traditions, wise policy, recognition of merit and talent, and the habit of team-work, throughout their organisations. The members of a Board are bound together by common interests and function as a friendly and well co-ordinated team. The Directors' ability, to accord undivided loyalty and total attention to their duties, sets the fashion and thereby ensures the success of the entire enterprise. Thus the Boards come to entertain a collective sense of accountability to their employees, to the industry and to the public at large. The core of the Board of Management, of every successful and large industry in the Private sector, consists of a majority of *whole-time* working Directors. Thus the Directors are seasoned professional managers, fully conversant in their work, with intimate knowledge of personnel, and in exercising leadership. Generally, a substantial number of Directors in private industry have risen from the ranks.

43. To encourage pointed questions, to infuse fresh ideas from outside and to facilitate unbiased criticism, it has been the practice, both in the public and private sectors in U. K., to appoint part-time Directors to the Board. Such Directors are, usually, distingushed men of wide experience, drawn from different fields such as industry, finance and public affairs. They are expected to contribute a fresh and independent point of view on matters of policy and directives. Not being a functionary of the enterprise, the part-time Director has the advantage of looking at the problems in an impartial and detached fashion. However, absence of personal knowledge of the enterprise is bound to colour his decisions. In contrast, the full time Director by virtue of his wide and intimate contacts with personnel, long association with the industry and personal stake in its solvency—speaks from his own experience and knowledge and, therefore, has a distinctly attached view. A confluence of view of such diverse origin, if scrupulously synthesised, may be productive of fruitful results. It is perhaps with this goal in mind that many corporate industries in U. K. continue to have part-time Directors. It is note-worthy, however, that in 1956 Unilever abolished the posts of part-time Directors and introduced a Board of Management with *all*, whole-

time, career Directors. Each Director in Unilever carries full functional and administative responsibilities. The requisites of a career Director are: the conviction that he is engaged in a worthwhile job, that he works effectively with his team, that his experience has endowed him with instinctive powers of judgment and, above all, that he is a good administrator and director of policy. Implicit in these characteristics are such traits as integrity, tact, drive, loyalty to his team and to industry, the power to spot out talents, to train and groom them and keep them alert and happy.

Conclusion

44. The British experience can be extremely helpful in guiding and rectifying organisational, technical, methodological and personnel deficiencies in the reconstitution of State enterprises. However, scrupulous care will need to be exercised in evolving techniques and procedures that are consistent with our indigenous peculiarities, social values, circumstances and needs. Vigilance will be necessary to avert the ready temptation of achieving quick results by aping.

45. The pioneering spirit, that the State of Mysore has so amply manifested in the past, needs not only to be recaptured but invigorated under imaginative, audacious and resolute leadership. Such guidance alone can bring to culmination the programme of rehabilitation and modernisation, as is envisioned in our State Third Plan. In this Plan the development of electric power and the extension of our industries occupy an important place. Indeed, on the success of our State industries depend on the fortunes of the numerous, existing and potential, ancillary industries which, in turn, will provide greater opportunities for employment in the production of goods and the implementation of services. Besides, the industrial enterprises offer extraordinary opportunities for all-round flowering of human personality—through work and life, through planned and purposeful activity, through team-work in the shop and in the community, through teaching and learning and, above all, in discovering ones potentials—in the fulfilment of common goals and enhancing productivity. Thus our State, truly, can and must bring about further advance of industrial relations and objectives, through progressive principles and dynamic practices, incorporating the concepts of democratic decentralisation, the precepts of genuine co-operation and a healthy partnership between Management and Labour and, finally, a resolution to achieve the commonly agreed goals. Intimate association of informed and-trained workers, in the conduct of industry, will arouse their enthusiasm and will provide them with opportunities to function intelligently and effectively. Such a perspective will further spur the workers to play a more vigorous part in the larger social objective of banishing ignorance, poverty and diseases, and to usher in the era of commonweal. Towards these ends also the personnel in public industries, through their devotion and industry, can play a crucial role in the fulfilment of Third Plan. That success alone can assure the future well-being of the State and the Nation.

ANNEXURE 5

Brief Notes of the Member-Secretary's, study tour to Bombay-Hyderabad, Madras and Trivandrum

I. Bombay

Visited Bombay from 12 to 15th April 1960 (both days inclusive) and had discussions broadly about economy in Government expenditure and additional financial resources with the following officers of the Maharashtra Government :—

1. Deputy Secretary (Administration) G. A. D.—Sri Paradasani.
2. Secretary to Government, I. L. P. D.—Sri Damri.
3. Secretary to Government B. L. C. D.—Sri Bowman.
4. Secretary to Government, Revenue—Sri Pradhan.
5. Secretary to Government, Finance—Sri Yardi.
6. Deputy Secretary, Home (R. D.)—Sri Aggarwal.

The following were among the more important and useful data gathered in the course of the discussions referred to :—

Secretariat Organisation

(1) Maharashtra Government has now done away with the category of posts of Joint Secretaries. There is only : (i) one post of Additional Secretary now for accommodating an officer taken from the Accounts Department and (ii) one post of Special Secretary for assisting the Chief Secretary in regard to the State's Reorganisation and allied matters.

(2) The Secretariat hierarchy now normally comprises a Secretary for each Department with a suitable number of Deputy and Under Secretaries. There is no post of Assistant Secretary now.

(3) A Branch comprising a Superintendent, 2 Senior Assistants and 2 Junior Assistants and 2 Clerks, is the administrative unit in the Secretariat.

(4) There are no yardsticks for the workload devolving on Secretariat Officers and staff. The expected standard of work is that each Secretariat Branch works up 250 receipts normally.

(5) The rule is that no paper is to be kept longer than 3 weeks.

(6) Every Under Secretary has 2—3 Branches under him.

(7) Ratio of Class IV to the total staff is 1 for 8 to 9.

(8) Every Secretary to Government is entitled to 3 peons (1 at the office and 2 at residence), every Deputy Secretary to 2 peons (1 at the office and 1 at residence) and every Under Secretary to 1 at the office. Touring officers get one extra peon.

(9) The scale of Special Pay for Secretariat officers is as follows :—

	Rs. per mensem
Deputy Secretary	300
Joint Secretary	300
Chief Electrical Officer	100

Work load in the Public Works Department

(i) An Executive Engineer's Division corresponds in Maharashtra generally to a Revenue District, (ii) Each Executive Engineer supervises the work of 5 Deputy Engineers, (iii) Each Deputy Engineer has under him 5 to 7 Overseers.

Existing work load for a Public Works Sub-Division is 5—6 lakhs of outlay. A workload of Rs. 3 lakhs (Construction work) and 1½ to 2 lakhs (Ordinary) per Overseer, has been proposed by the Financial Adviser but is being resisted by the Department.

Roads and Buildings

(1) A minimum maintenance grant of Rs. 2,000 per mile is necessary under present conditions to keep the roads in good repair (present mileage allotment in Maharashtra is Rs. 1,100 per mile).

(2) Thirty per cent of the 19,000 miles of roads in Maharashtra is black-topped.

(3) Tolls on bridges is in the American tradition but repugnant to British idea. The revenue is in any case insignificant.

(4) Percentage of expenditure on staff to total outlay in the Pre-war period was 21 per cent. Now it is about 7 per cent and Secretariat staff accounts for .35 per cent. Tools and Plant works out to 2 per cent.

(5) There is a Technical Examiner whose function is to investigate complaints of bad work, etc.

(6) The weakest link in the chain of Public Works administration is supervision.

(7) The low return on Government residential buildings is justified by the better efficiency of a well-housed staff.

(8) The cost on gardens maintained at official residences is a legitimate charge on general revenue and no part of the burden may justifiably be thrown on the occupants.

(i) *Land Revenue*

(1) There is no sur-charge on Land Revenue. A Special levy on certain cash crops such as sugarcane, cotton, etc., is under contemplation. This is expected to yield Rs. 3 crores in 5 years.

(2) The entire Land Revenue is proposed to be turned over to the Local Bodies.

(3) Water-rate is levied in the Irrigation Department. An Act for the levy of water-rate and betterment fee is in force.

(4) There is no problem in Maharashtra of non-utilisation of water available for irrigation. Every drop of water available is taken up and used.

Resources for the Third Plan

The following is a list of items for raising additional resources but no specific decisions have been taken except as regards items (ii) and (iii):—

(i) Special levy on cash crops—To yield Rs. 3 crores.

(ii) Average rate of Sales Tax to be raised from 5 to 5½ per cent. Exemption of Kerosene to go. Distinction between petrol and vaporising oils is to be removed.

(iii) Increasing the rate of tax on passengers and goods from 10 to 15 per cent.

(iv) Raising the rate of Entertainment Tax.

(v) Raising the rate of Electricity Tax.

(vi) Revising the rates under Stamps and Court Fee.

(vii) Increase in revenue from Sugarcane Cess.

A tax on urban properties has been in force in Bombay from a long time but the same has been made over completely to the Bombay Corporation in accordance with the recommendation of the Taxation Enquiry Commission.

Pay revised

Proposals for revision of pay scales in the Maharashtra State are being formulated by a special unit. The underlying idea is to rationalise the pay structure and to adopt so far as is possible the recommendations of the Central Second Pay Commission. The revision is likely to involve an additional expenditure of Rs. 5 crores per annum.

Investigation of Public Works Projects

There are 2 Investigation Circle in the Irrigation Department—one for development of water resources and the other for working-out the projects recommended by the W. R. I. C.

Government Vehicles

It is under consideration to set up an independent Department for taking care of all Government vehicles and after pooling them, for allotting them upon requisition to the officers of several departments.

Democratic decentralisation

The Report of the Committee appointed in this behalf was secured and is under study. The recommendations of the Committee are still in a confidential stage, as no decisions have yet been taken thereon by the Maharashtra Government.

Results of working of the Maharashtra Road Transport Corporation

Reports of the work of the Corporation for the year 1957-58 and 1958-59 were secured. The position regarding the last completed year is reflected in the following figures :—

	Rs.
Total Revenue	14,27,91,826
Total Working Cost	13,30,62,753
Net Surplus	97,29,073
Gross earnings per bus mile ..	162.61 nP.
Net cost per bus mile	150.74 nP.
Net surplus per bus mile	11.02 nP.

Working of the Maharashtra State Electricity Board

A copy of the Administrative Report of the Bombay Electricity Board for the year 1958-59 was secured and is under study.

II. *Hyderabad*

Visited Hyderabad between the 17th and 19th instant (both days inclusive). I met and had discussions with the undermentioned officers of the Andhra Pradesh Government :—

(1) Secretary to Government, Finance Department—Sri Syed Abbasi.
(2) Secretary to Government, Planning Department—Sri Kunj Bihari Lal.
(3) Secretary to Government, Revenue Department—Sri Seshagiri Rao.
(4) Special Secretary, G. A. D.—Sri Syed Ali.
(5) Secretary to Government, Public Works—Sri Prasad.
(6) Deputy Director, Bureau of Economy and Statistics—Sri P. B. K. Murthy.
(7) Chief Secretary to Government—Sri M. P. Pai.

The following items of information were collected in the course of the discussion.

Retrenchment and work-load standards

An Economy Committee was constituted in 1957. Its recommendations were expected to result in reduction of Government expenditure of the order of Rs. 34 lakhs per annum. The

Committee reviewed the expenditure on staff in the Secretariat and a number of Departments and laid down certain standards of work-load. In the Secretariat the work-load of a Section (comprising 2 U. D. Cs., 1 L. D. C. and a Superintendent) is determined as 27 currents per diem (10 each for the Upper Division Clerks and 7 for the Lower Division Clerks); in the Offices of Heads of Departments, the work-load of a section (2 Upper Division Clerks and 2 Lower Division Clerks) is normally 36 currents. The above standard of performance has been fixed on a purely empirical basis. The Committee also reduced the number of Government vehicles in the several Departments. A copy of the Committee's Report was secured.

Land Revenue

There is disparity between the rates of assessment and of water-rates, as between the Telangana and the Andhra areas. In Telangana a consolidated wet rate is levied. The Anantharaman Committee proposed the rationalisation of Land Revenue assessment and its standardisation. Nevertheless the disparity of rates of assessment in the two regions continues. In the Andhra area the dry plus water-rate works out to Rs. 13 per acre. In Telangana the maximum (consolidated) rate is Rs. 24 per acre. The maximum and minimum of prevailing rates in the State are :—

	Maximum	*Minimum*
	Rs. a. p.	Rs. a. p.
Dry	0 3 0	5 0 0 per acre
Wet	6 0 0	24 0 0 average Rs. 12-8-0

Bagayath rate averages Rs. 6 per acre.

Agriculture Income-Tax

Agricultural Income-tax, which was in force in the Telangana Area prior to State Reorganisation, has been abolished. Andhra area had no Agricultural Income-Tax. There is no levy of Agricultural Income-Tax now and no proposal to introdce it.

Special Assessment on Cash Crops

Special assessment on commerical crops levied previously has now been suspended in respect of cotton and groundnut.

Cesses

Local and Education Cesses were levied in Andhra area. Only Local Cess was levied in the Telangana Area. Rate of Local Cess has been raised to 5 annas in Telangana and to 8 annas in Andhra areas (inclusive of Educational Cess).

Democratic decentralisation

The entire literature on the Panchayat Raj including the Andhra Pradesh Panchayat Samithis and Zilla Parishads Act, 1959 was secured and is under study.

Resources for the Third Plan

According to the State's Third Plan outline (copy secured) the financial resources for the Plan are short of the outlay by Rs. 90 crores. Out of this Rs. 38 crores is to be raised over and above the resources in sight. It is proposed to raise 50 per cent of the amount by (1) changes in the assessment of land revenue, expected to yield Rs. 20 crores in the plan period, (2) adjustments in the rate of Motor Vehicles Taxation as between the Telangana and Andhra areas, (3) improved working of Sales Tax law, expected to yield Rs. 5 crores in 5 years, (4) levy of betterment fee, (5) adjustment in the rates of stamp duty and (6) enhancement of tax on passengers and goods at the rate of 1 nP. It is expected to raise Rs. 15 crores from Small Savings and Rs. 40 crores (net) from open market loans.

Pay Revision

A copy of the Report of the Pay Revision Committee and the Government Order passed thereon were secured.

Public Works

No standards of workload for the Sub-Divisions and for Overseers have been evolved. The staffing-pattern is a continuation of the empirical standard of the past with such addition as the needs of quick implementation of larger projects may call for. There are 6 Chief Engineers in Andhra Pradesh now, inclusive of the Nagarjuna Sagar Project. The proposed administrative reform of making the Chief Engineers, Joint Secretaries to Government is understood to be not palatable to the latter, as they feel that they are being taken down in status. The handing over of technical staff of the Public Works Department at the District level to the control of the Zilla Parishads is beset with administrative difficulties. No separate cadre for the Local Government has been formed. The Public Works Department Officers are functioning much in the same way as before. The rates of return from larger irrigational works for which Capital and Revenue Accounts are kept was not readily available and was promised to be collected and furnished. In respect of the working of the State Electricity Board, the economies of working in regard to thermal and hydel projects differed. The request for information regarding the percentage of transmission loss was noted for compliance in due course.

Statistics

A set of statistical Hand-books and publications, inclusive of the Data on the taxes, rates and cesses in force in the Andhra Pradesh, was obtained for comparative study.

Administrative Reform

In regard to the crucial recommendation of the Administrative Reform (Unnithan) Committee, *i.e.*, the merging of the offices of Heads of Departments with the Secretariat, the question is now under consideration of a Sub-Committee of the Cabinet, but no decision has been taken. It is anticipated that if the reform is accepted and works well, there would be a sizeable reduction in expenditure on staff at the Secretariat and Heads of Departments levels.

III. MADRAS

Visited Madras from the 24th to 26th instants, both days inclusive. I met and had discussions with the undermentioned officers of the Madras Government :—

(1) Sri T. A. Varghese, Secretary to Government, Finance Department.
(2) Sri S. Venkataraman, Deputy Secretary (Planning).
(3) Sri Subramanyam, Deputy Secretary (Revenue).
(4) Smt. Satyabhama, Deputy Secretary (Revenue).
(5) Sri S. R. Kaivar, Chairman, Madras Electricity Board.
(6) Sri S. K. Chettur, Member, (Land Revenue and Commercial Taxes), Board of Revenue.
(7) Sri N. Saraguna, Deputy Secretary, Public Works Department.
(8) Sri R. A. Gopala Swamy, Chief Secretary to Government.

The more important points discussed and information obtained, are summarised below :—

Resources for the Third Plan

Madras Government proposes to raise additional resource for the Third Plan of about Rs. 30 crores in the 4 years of the Third Plan period, against the target of Rs. 39 crores, by (*a*) levy of sales-tax on the sale of electric power, (*b*) increase in motor spirits tax, (*c*) rationalisation of water rates, (*d*) levy of additional cess up to 25 nP. in the rupee of land revenue (to be levied by local bodies).

Pay Revision

The effect of pay revision already carried out is a net addition to recurring expenditure of about Rs. 5 crores a year, which has since been fully absorbed in the overall budgetary position.

Democratic Decentralisation

The emphasis is on Panchayat Union Councils. Seventy-five such union councils have been set up to watch the working of the N.E.S. Schemes of the Community Development, with a correlation between the schematic budgets of Community Development

Blocks and those of Panchayat Unions. Main source of Panchayat Union finance is Cesses on Land Revenue and surcharge thereon, the latter being subject to a ceiling of 25 nP. in the rupee. The present (consolidated) rate of Local Cess at 45 nP. in the Rupee of Land Revenue is collected by State Government and distributed to Panchayat Unions on population basis.

Economy in Expenditure

A Committee has been set up under the Chairmanship of Sri Kaivar (Chairman, Madras Electricity Board) for proposing economy measures in the construction cost of buildings.

Land Taxation

Revenue settlement work has been abandoned. In lieu of it a surcharge of 12½ per cent was levied. This has now been made over to Local Bodies. The supercharge on Land Assessment has been done away with the passing of the Agricultural Income Tax Act, 1958.

It is now under consideration to survey the rise in land values (grounds) in Madras City and other places like Madurey, Coimbatore, etc., so as to enhance the rate of taxation in proportion to the rise in land values.

A memorandum on the existing rates of principal taxes now in force in the State was obtained for reference and comparative study.

Electricity Board

A general note on the cost of Electric Generation and supply of power for various uses was obtained and is under study. Transmission losses is seen to be 36 per cent and the unit cost of generation under the thermal and hydel systems in the State is 7.9 nP. and 1.07 nP. respectively. The Electricity Board's Administrative Report for the year 1958-59 was obtained for study.

Road Transport

The activities of the Government Road Transport are confined only to the City of Madras. There is so far no idea of nationalising transport in the State.

Water Rate

The Revenue Board's proposal to raise the water-rate component of the consolidated net rate, in ayacuts other than those of the Cauvery Valley, up to 66 per cent is under the consideration of Government. The enhanced rate works out to Rs. 8 or 8.50 nP. per acre per crop. The water-rate under the Cauvery Canals is Rs. 10 per acre. The maximum water-rate in the State is Rs. 15 per acre in Sharmadevi Taluq (under Tambraparni) and for a double crop the rate works-out to Rs. 22-8-0, irrespective of the nature of the crop raised. There is no charge for raising a third crop.

Betterment Fee

No concrete action is taken to levy betterment fee in view of the complications involved.

Public Works Department Organisation and Projects

A comprehensive note on the organisation of the Public Works Department and allied Departments, *viz.*, Electricity Board, Port Department, Stationery and Printing was secured with an outline of the development schemes and projects under contemplation in the State's Third Five-Year- Plan. There is an Investigation Circle for the Highways Department. Executive Engineers Divisions comprise roughly a Revenue District, the Highway Divisions being in charge of Divisional Engineers.

Forest Department

The Administrative Report of the State's Forest Department for the year ended March 1957 was obtained and is under study. The net surplus for 1958-59 is about Rs. 50 lakhs for the total (Reserve) forest area of 6,722 square miles.

Power Loss

The quantity of transmission loss was discussed in detail with the Chairman, Electricity Board. The question being technical and far from being simple, the Chairman has kindly agreed to get up a note prepared and send it.

It was however ascertained that in Madras the installed generating capacity is fully tapped and utilised.

Revenue from Electricity

The Board has to pay interest on the capital at 5¼ per cent per annum to Government. Major part of investment under the Second Plan in Madras is on power development. The investment is considered to be fully productive.

Sales Tax

The general rate of tax is 2 per cent on turnover, except in regard to luxury and other listed commodities. The effect of levy of sales-tax on food-grains at multiple point has not been assessed, but the incidence is considered to fall mainly on urban population which in view of growing urban property, it is in a position to bear.

Tax on Motor Spirit

The rate now is 38 nP. per gallon on petrol and that on diesel oil is 35 nP. per gallon. The point of taxation has been shifted from 'sale by retails' to 'first sale by importers and wholesale dealers'

IV. TRIVANDRUM

Met the following Officers of the Kerala Government and had discussions with them :—

Shri A. C. Oommen, Chairman, Kerala Electricity Board.

Shri M. P. George, Chief Conservator of Forests.

Shri K. K. Raman Kutty, Secretary to Government, Public Works Department.

Shri K. M. Pete, Deputy Secretary, Revenue Department.

Shri K. A. Krishna, Secretary (Taxes), Board of Revenue.

Shri K. P. Viswanatha Nayar, Director of Industries and Commerce.

Shri P. K. Syed Mohamad, Deputy Secretary, Finance.

Shri A. Abdul Rahiman Kunju, State Insurance Officer.

Shri C. K. Kerala Varma, Secretary to Government, Revenue Department.

Shri P. S. Padmanabhan, Secretary to Government, Finance Department.

Electricity Board

Rate of interest on capital and loan by Government to the Board has been fixed at 4½ and 5 per cent respectively. Interest on public loan is at the rate of 4½ per cent.

Duty on Electricity is collected by the Board from (1) licensees at 6 nP., (2) consumers taking supply at 11 K.V. and 22 K.V. at 25 nP. and (3) consumers taking supply at 66 and 110 K.V. at 2 nP.

The total revenue for 1958-59 was Rs. 242.35 lakhs. After meeting the expenditure, a net surplus of Rs. 74.28 lakhs was left. Against this the interest payable was Rs. 125.62 lakhs. The deficit of Rs. 46.77 is stated to be due mainly to Rural Electrification programmes which yield a gross return of only·5 per cent. The Board is further setting apart 10 per cent of the Public loan for its redemption out of revenue. The operation cost has also gone up, it would appear, due to revision of pay, etc.

The load factor is ascertained to be 75 per cent.

Forest Department.

The Forest Department runs no regular forest industry. There are no departmental saw mills. The Industries Department is running a Plywood Factory using Cedars and Cambax supplied by the Forest Department. The Public Works Department is running a Furniture Workshop for the use of Government Department.

Reed is supplied by the Forest Department to a 30 ton paper mill. Negotiations are going on with the Birlas for a 100 Ton Rayon Factory using bamboo from the State Forest.

A list of industries using forest products is maintained and was obtained.

There are 80 Teak Plantations covering 80,000 acres. Eight thousand acres are artificially regenerated with softwood. Wattle is raised in high hill ranges and sandalwood is being regenerated.

The total area of the Reserved Forest is 3,376 square miles. There is a Revenue reserve of 12,000 acres in Malabar District. It has been decided to be taken over by the Forest Department. In the State's Third Plan 15,000 acres of grass lands are to be afforested with eucalyptus, 10,000 acres of barren lands have been stocked with cashewnut and there is no more land available for the purpose.

The Forest Department levies 2 annas grazing fee for entry into the State Forest.

Ivory, reeds, bamboo and rathan are the main things supplied by the Forest Department for the development of Cottage Industries. There are applications for 10 tons (small-scale) paper factories.

Rubber is raised by the Forest Department on 600 acres. It is proposed to increase the acreage under rubber at 20,000. This activity is under the supervision of a special Department, headed by a Director of Rubber Plantation.

Cardamom grown in the forests is auctioned off. The Forest Department supplies poles to the Electricity Board. Eucalyptus (red-gum) poles are used as L. T. Poles.

Right to remove cane in the Forest is auctioned with the reservation of small blocks for supply to co-operative societies and Harijans.

Public Works Department

The work load of an Assistant Engineer's jurisdiction is Rs. 10-15 lakhs. He has 4 Junior Engineers under him. Each Junior Engineer supervises the work of 2 Overseers. A Public Works Division corresponds roughly to a Revenue District and the outlay in a Division averages Rs. 25-30 lakhs. Superintending Engineer has jurisdiction over 3 Divisions which is the minimum, with one or more Special Divisions. There are 3 Public Works Circles for both Irrigation and Buildings and roads. There are 2 Chief Engineers, one for Irrigation, and one for Roads and Bridges.

The ratio of Establishment cost to total outlay is less than 8 per cent (exclusive of work-charged establishment). It is about 11 per cent for irrigation.

Construction of big buildings and bridges is entrusted to contractors. But departmental execution is cheaper. The best pattern of expenditure on public work is a combination of departmental and job work systems.

There is no Investigating Circle or Division.

The mileage grant for State fund (main roads) is Rs. 4,000. It is Rs. 300 for village roads.

A. R. Grant for buildings is 2 per cent of capital cost which roughly covers the expenditure on annual maintenance.

No Irrigation Cess is levied.

Cost of irrigational projects in the State works out to Rs. 1,000-1,200 per acre irrigated.

Sales Tax

The total Revenue is Rs. 9 crores for a population (1961 census) of 1.6 crores. Recently effective measures were adopted to tighten the working of the Sales Tax Act and to plug the loopholes. There is a Deputy Commissioner of Intelligence in the Department. Departmental Officers have been invested with power to stop moving vehicles for checking. Seventeen check posts have been established along the State borders. A high-level Committee has been recently appointed to examine the working of the Act and to propose simplification of procedure and to suggest ways of augmenting revenue. The Board Member is in charge of the administration of the Act. Under him are 3 Deputy Commissioners, one in charge of each of the 3 Zones. There is one Inspecting Assistant Commissioner, and one Appellate Assistant Commissioner for each District. There are about 6 Special Circles at Quilon and Ernakulam for the assessment of turnovers of special commodities like timber, cashewnut and for the assessment of larger turnovers.

Land Tax and Agricultural Income Tax

Basic land is Rs. 2 per acre. The latest proposal is to levy an additional tax at Rs. 2 per acre on holdings above 2 acres. In addition there is the Plantation Tax at Rs. 8 per acre and on holdings above 5 acres under cocoanut.

Normal land tax yields Rs. 1.22 crores. Additional Basic Tax is expected to bring in Rs. 80 lakhs.

The proposed new tax on buildings (above 1,000 square feet) is expected to yield about Rs. 20 lakhs.

Industries Department

There are 9 Government-run industries. It is proposed to set up a Spinning Mill in the public sector.

Report on the working of Government Industrial Concerns for 1959-60 was obtained for study. (This report is treated as confidential).

The policy of Government is to participate in selected private industrial concerns by taking up a certain percentage of their shares.

Road Transport Department

Total mileage operated by the State Transport Department is 573. Route mileage is 5,937. Total expenditure of the Department is Rs. 285.13 lakhs. Expenditure per mile is 108 nP. Total revenue is 290 lakhs. Water transportation section yields a revenue of Rs. 5 lakhs, the expenditure being Rs. 7 lakhs per annum.

Total capital at charge is Rs. 364.9 lakhs and net profit anticipated is Rs. 3 lakhs.

The Vehicle staff ratio is 1:1 as follows:—

Administrative	2 : 1
Operating	5 : 5
Engineering	3 : 4

Basic fares in the State Transport Department is as follows:—

	nP. per mile
Ordinary service	4
Express service	6
City service	7

Betterment Fee

It is proposed to levy a betterment fee of Rs. 200 per acre and to limit the levy to irrigation works costing more than Rs. 1 lakh.

Water Cess

Water Cess is levied on lands benefited by major irrigational work at the following rates:—

Rupees six per acre on lands on which two or more crops can be raised.

Rupees five per acre on lands converted into wet.

Rupees ten per acre on lands made irrigable on which more than one crop can be raised.

Motor Vehicles Tax

Anticipated revenue from the Motor Vehicles Department is Rs. 2 crores per annum. Rate of tax is Rs. 37½ per seat for public carriers.

Government Insurance Department

The nationalisation of Act liability by State Government under Motor Insurance has been regularised by the Motor Vehicles (Amendment) Act, 1960 passed by the Parliament.

Old Age Pension Scheme

The Kerala Government have introduced a Scheme of old age Insurance recently whereby all persons above 70 years of age who have no one to take care of them are paid Rs. 15 per mensem, the State Government bearing the money order commission also. The Kerala Government have also adopted a scheme of granting interim relief to victims of motor accidents irrespective of whether the vehicles are insured or not.

Taxation Measures

The short fall in the State's resources for the Third Plan is of the order of Rs. 57.74 crores. Out of this it is expected to raise Rs. 23 crores by way of additional taxation.

Surcharge on Sales Tax has been recently raised from 2½ to 5 per cent which is expected to yield Rs. 15 lakhs a year.

Five per cent on professional tax is levied as surcharge.

Election expenses of Village Panchayats initially incurred by Government are recovered later from the Panchayats.

The State Government's Hospitality Organisation has been placed under the Director of Tourism.

ANNEXURE 6.

ANALYSIS OF TIME TAKEN FOR DISPOSAL OF PAPERS AND NATURE OF DISPOSALS, IN THE SECRETARIAT—*contd.*

File No. and Department	*Date of receipt of first reference*	*Time taken at various levels (in days)*									*Total time taken*	*Whether the recommendation was approved and if so, to what extent*
		Regi-stration	*Case Worker*	*Superin-tendent*	*Under Secre-tary*	*Deputy Secre-tary*	*Secre-tary*	*Mini-sters*	*Other Secre-tariat Depart-ments*	*Other Offices*		
1	2	3	4	5	6	7	8	9	10	11	12	13
GENERAL ADMINISTRATION DEPARTMENT.												
363 RSR 57,	6-9-1957	..	86	..	7	3	6	91	6	..	199	L.A. Question
OM 70 OOM 59,	26-8-1959	..	14	..	2	11	78	148	..	..	253	Yes in toto
Adm-1 182 ADA 60	17-6-1960	..	4	..	3	3	1	4	..	..	15	This is a case relating to the Admn. of the Secretariat.
S-2 134 SGO 60	14-7-1960	1	2	..	1	7	6	6	4	2	29	do
S-2 14 IPS 58	12-2-1958	..	16	2	5	1	..	..	184	131	339	This is a case where particulars called for by A.G. were furnished
Gen-1 58 HVP 59	20-11-1959	..	53	1	24	..	9	..	22	126	235	
REVENUE DEPARTMENT.												
RD 453 ENG 59	10-3-1960	..	16	..	36	16	8	9	40+2	124	251	Accepted 50 per cent
RD 80 DHR 58	27-9-1958	..	72	1	1	2	1	7	..	..	86	Rejected
RD 49 ENX 58	18-6-1958	..	26	1	1	..	1	2	15+2	52	100	Sanctioned cent percent.
RD 41 ERS 57	4-12-1956	..	102	3	3	5	3	1	..	51	168	Committee dissolved powers transferred to the Commissioner.
RD (Food) RDE 175 FET 59.	1-7-1959	..	1	..	17	..	1	2	28	..	49	Sanctioned cent per cent.
RD 83 LBD 60	19-4-1960	1	48	1	1	1	..	12	35	58	157	Original proposal sanctioned 50%

ANNEXURE—*contd*

File No. and Department	*Date of receipt of first reference*	*Time taken at various levels (in days)*									*Total time taken*	*Whether the recommendation was approved and if so to what extent*
		Registration	*Case Worker*	*Superintendent*	*Under Secretary*	*Deputy Secretaty*	*Secretary*	*Ministers*	*Other Secretaiat Departments*	*Other Offices*		
1	2	3	4	5	6	7	8	9	10	11	12	13
EDUCATION DEPARTMENT.												
ED 273 TNC 57 ..	18-11-1957	16	29	1	13	17	11	10	2+5	29	133	Proposal from Ministry of Defence and has been accepted in toto though it was not given effect to.
40 PHL 57 ..	7-7-1958	2	14	2	15	4	15	105	20	..	177	The proposal emanated from the E.D. and accepted in toto. Orders of approval were issued in another file.
8 DGO 58 (b) ..	24-3-1958	9	143	10	12	7	20	3	64+26	..	294	Approved to the extent of 662/3%
342 SHS 58 ..	12-5-1958	6	40	1	9	4	19	9	46	58	192	Proposal approved in toto.
52 UPS 60 ..	12-2-1960	1	18	..	6	3	..	1	52	..	81	Approved in toto
29 MUN 59 ..	12-6-1959	19	221	3	22	43	24	17	9+7	197	562	Proposal dropped.
AGRICULTURE AND FOREST DEPARTMENT.												
AFD 91 ENT 58 ..	29-1-1958	..	33	5	24	6	16	6	21	..	111	Yes, proposal approved in toto.
AF 106 NGG 57 ..	9-4-1957	This file was received from the Erstwhile Government of Bombay on which no action was considered necessary.										
AFD 139 FSY 58 ..	23-6-1958	11	37	..	6	..	3	3	127+39	146	372	Approved in toto
AF 131 CET 59 ..	11-5-1959	8	102	2	10	..	5	1	20+29	134	311	Proposal approved in toto.

VF 144 AEA 59 ..	27-2-1959	..	356	19	107	14	33	26	15+18	176	764	Proposal approved in toto but not availed of
AFD 3 LLS 60 ..	12-12-1959	2	62	..	16	8	..	8	26+6	170	298	Proposal approved in toto.
PLANNING AND DEVELOPMENT DEPARTMENT.												
P & D 268 CDP 58 ..	2-6-1958	3	18	14	69	..	10	12	21	28	175	The question arose for examination in the Secretariat and order issued.
11 ARR 59 ..	20-1-1959	13	316	8	42	..	..	..	31	422	832	This relates to an Audit note from the A.G. and necessary action taken.
69 NES 57 ..	26-8-1957	3	50	3	7	2	6	..	1+1	104	177	Approved in toto
207 EST 59 ..	31-3-1959	..	48	5	24	3	8	3	10	69	170	This relates to a Circular issued from the Secretariat suo motto.
LLH 11 BAD 60 ..	26-2-1960	..	1	1	16	..	2	1	..	3	24	Action initiated at Secretariat level.
75 BGE 60 ..	12-12-1960	1	36	8	9	7	2	..	14	101	178	Proposal approved in toto.
LAW DEPARTMENT.												
253 SMY 57 ..	8-1-1958	..	8	..	1	..	3	..	..	108	120	do
12 CVL 57 ..	29-4-1957	1	37	2	..	15	9	9	1+1	55	130	Proposal dropped
Law 2 LGN 58 ..	15-7-1957	..	138	8	26	5	40	17	21+4	..	259	Legislative measure action taken.
5LGN 59 ..	10-1-1959	2	71	12	76	..	77	20	11	11	280	Proposal of the Head of the Department approved in toto.
79 LCA 59 ..	27-7-1959	2	128	12	37	3	1	..	20	12	215	No opinion furnished to the Government of India.
37 LBL 60 ..	29-2-1960	..	234	..	41	8	14	3	13	13	326	Approved in toto
LLSG AND PUBLIC HEALTH. (LABOUR)												
43 LSI 59 ..	25-6-1959	..	23	..	5	1	..	5	5	48	87	Proposal of the Director General E.L.I., New Delhi approved.

ANNEXURE 6—*contd.*

File No. and Department	*Date of receipt of first reference*	*Time taken at various levels (in days)*									*Total time taken*	*Whether the recommendation was approved and if so to what extent*
		Regi-stration	*Case Worker*	*Superin-tendent*	*Under Secre-tary*	*Deputy Secre-tary*	*Secre-tary*	*Mini-sters*	*Other Secre-tariat Depart-ments*	*Other Offices*		
1	2	3	4	5	6	7	8	9	10	11	12	13
(PUBLIC HEALTH BRANCH).												
70 PHP 58 ..	19-12-1957	..	222	16	17	1	13	1	24+41	235	570	Approved in toto
2 CTM 57 ..	24-8-1955	12	55	18	87	..	24	3	120	704	1,023	do
28 PMS 59 ..	8-1-1959	1	31	4	14	7	12	85	8	35	197	Proposal accepted in toto.
(MEDICAL BRANCH).												
23 MEN 60 ..	23-12-1959	..	29	2	9	1	..	4	16	..	61	Proposal approved in toto.
(MUNICIPAL).												
64 MAD 60 ..	27-6-1960	..	50	1	13	18	1	2	13	208	306	Proposal not approved.
FINANCE DEPARTMENT.												
125 PEN 58 ..	11-11-1957	..	85	..	92	37	..	..	7	22	243	Proposal turned down
109 RWM 59 ..	16-11-1959	..	96	8	3	13	..	3	13	27	163	Proposal sanctioned cent per cent.
38 TRE 57 ..	1-3-1957	4	199	8	37	21	8	6	14	208	505	Sanctioned 50 percent
54 PID 60 ..	19-7-1960	1	13	6	8	23	10	4	2	..	67	Sanctioned cent per cent.
7 DSD 59 ..	29-1-1959	5	202	14	7	53	10	14	92	126	523	Sanctioned 90 percent
53 SRS 60 ..	17-11-1959	5	167	6	33	6	10	..	2+4	..	233	Sanctioned cent per cent.
HOME DEPARTMENT.												
(*Transport*).												
1 MUF 58 ..	13-3-1958	1	76	1	9	..	6	6	7+19	..	125	Case worked up in the Secretariat suo-motto approved

(Prisons).												
1 BRB 59	30-12-1958	11	30	6	11	1	..	3	14	348	424	Proposal was dropped
(Technical).												
26 SFB 60	6-5-1960	16	25	..	6	4	3	1	20+32	37	144	Proposal approved in toto.
184 PEG 59	7-10-1959	2	25	1	5	..	2	2	31	..	68	Approved in toto
(Courts).												
91 CET 59	11-4-1959	7	96	2	13	8	4	17	31+11	99	288	do
(Prisons).												
86 MAC 57	8-1-1954	5	189	72	38	21	57	16	1+152	817	1,368	Proposal approved
COMMERCE AND INDUSTRIES.												
41 SAD 60	17-3-1960	..	65	..	27	..	13	6	33+19	43	206	do
17 HW 60	27-1-1960	2	288	5	43	26	2	2	9+15	32	423	do
192 IND 57	30-5-1957	..	382	5	10	36	8	43	10	25	519	L.A. Qn. replied
26 SGR 57	30-3-1956	..	179	28	15	2	38	14	23	226	525	Approved
65 HGM 59	20-4-1959	..	252	2	94	..	20	17	7	84	476	No action taken
3 HDS 58	6-1-1958	..	147	..	4	2	..	12	..	68	233	No proposals furnished
PUBLIC WORKS DEPARTMENT												
100 API 58	31-5-1958	3	7	..	38	5	4	..	23	135	215	Proposal approved in toto.
223 SPG 59	20-4-1959	..	83	13	34	5	4	..	5+12	..	156	Proposal not approved.
74 CRM 60	2-5-1960	..	16	..	12	17	6	1	7	70	120	Proposal approved two-thirds.
39 ESH 59	12-11-1959	..	192	..	5	13	4	2	26	..	242	Proposal approved in full.
16 BMP 60	26-2-1960	3	49	4	35	..	2	5	5+7	310	420	Approved in toto
6 WPR 57	21-1-1957	..	135	..	12	..	12	3	3+10	174	349	do

ANNEXURE 6—*concld.*

File No. and Department	*Date of receipt of first reference*	*Time taken at various levels (in days)*									*Total time taken*	*Whether the recommendation was approved and if so, to what extent*
		Registration	*Case Worker*	*Superintendent*	*Under Secretary*	*Deputy Secretary*	*Secretary*	*Ministers*	*Other Secretariat Departments*	*Other Offices*		
1	2	3	4	5	6	7	8	9	10	11	12	13
LSG AND PUBLIC HEALTH.												
LLH 1 GHS 60 ..	31-12-1959	30	10	3	10	..	1	..	..	92	146	Proposal accepted
LLH 41 GHA 60 ..	13-7-1960	5	7	..	3	..	..	..	9	65	89	Clarification issued
P & D 743 BAK 57.	29-10-1957	3	47	1	..	10	..	..	31	88	180	Proposal accepted
P & D 95 P & D 59	1-4-1959	..	91	16	15	4	7	1	3+21	117	275	Planning Commission proposals implemented.
P & D7 PTD 59 ..	2-1-1959	5	88	1	2	5	4	..	3+8	381	497	Proposal accepted
P & D 670 SWS 58	13-9-1958	5	48	3	6	..	..	..	10	11	83	Reply furnished
Total ..		229	6,279	371	1,461	538	717	814	1,486+ 513	7,215	19,623	
Average per file		3.2	87.2	5.1	20.3	7.4	9.9	11.2	20.6+ 7.1	100.2	272.2	

272.2 Total time taken
— 100.2 Time taken by other Depts.

172 Days of average time taken by the Secretariat for each file.

STATEMENT SHOWING THE PETITIONS RECEIVED AND DISPOSED IN THE REVENUE DEPARTMENT.

Section	*Number received*	*Number submitted in the nature of review or appeal under any of the enactments.*	*Number which need not have been entertained or on which no action is required.*	*Number which should have been addressed to the Deputy Commissioner or to a lower officer but which have been addressed either to the Secretary or to the Minister and which are sent to the Deputy Commissioner for report or for disposal.*	
1	2	3	4	5	
Revenue 'A'	461	53	27	381	
Revenue 'B'	3,515	..	Information not available. All petitions are sent to Deputy Commissioners for disposal of report if need be.	3,515	All petitions are forwarded to Deputy Commissioners for report or disposal according to the orders of the Minister on the petition.
Commercial Taxes.	136	5	5	126	
food ..	459	..	All petitions have been sent to the Director of Food Supplies or D.Cs. for disposal or report Information not available.	459	All the petitions have been sent to the Director of Food Supplies or Dr. Cs. of Dists. for report.
Revenue 'G'	865	7	Information not available		
Revenue 'H'	683	4	Information not available.		
Inams ..	435	9	..	426	
Takavi ..	1,203	..	..	1,203	Petitions forwarded to D.Cs. of Dists. as per orders.
Additional Branch.	..	..	..	..	
	7,757	78	33	6,111	

APPENDICES

Appendix 1. Area and Administrative Divisions of the State.

Appendix 2. Mysore in India.

Appendix 3. Financial progress under two Five-Year Plans.

Appendix 4. Perspective of Mysore Economy 1956-1961.

Appendix 5. Land Utilisation and production of principal crops.

(*a*) Land Utilisation.

(*b*) Area and Production of Principal Crops.

Appendix 6. State Revenue and Expenditure.

Appendix 7. Statement of Capital Assets 1957-1958 to 1961-1962.

Appendix 8. Districtwise incidence of Land Revenue.

Appendix 9. Statistics of Government employees as on 31st March 1959.

Appendix 10. Departmental Notes.

(i) Food production in Mysore under the First and Second Plan periods. (Note by the Department).

(ii) Working of Government Industrial Concerns. (Note furnished by the Director of Industries and Commerce).

(iii) Working of the Government Silk Filatures in Mysore. (Note furnished by the Director of Sericulture).

(iv) Note on Minor Minerals (by Sri T. P. Krishnachar, Retired Director of Mines and Geology).

(v) Mysore Government Insurance Department. (Note furnished by the Secretary, Mysore Government Insurance Department).

(vi) Note on Government Stud Farm, Kunigal.

(viii) Note on Technical Audit of Works executed by the Public Works Department (furnished by the Department).

APPENDIX 1

Area and Administrative Divisions of the State

The Area of New Mysore State is 74,293 square miles.* For purposes of administration, the State is divided into 19 Districts. The State has 170 Taluks, which comprise 25,880 villages and 288 towns. Among the districts Bijapur is the largest (6,601 square miles) while Coorg is the smallest 1,586 square miles). The following table gives the area of the districts, their headquarters and number of taluks :—

Divisions, Districts	*Headquarters*	*Number of Taluks*	*Area in Sq. Miles*	*Percentage to the total area of State*
I. BANGALORE DIVISION—				
1. Bangalore	Bangalore	11	3,084	4.15
2. Kolar	Kolar	11	3,188	4.29
3. Tumkur	Tumkur	10	4,091	5.51
4. Chitaldrug	Chitaldrug	9	4,190	5.64
5. Bellary	Bellary	7	3,820	5.14
Bangalore Division	Bangalore	48	18,373	24.73
II. MYSORE DIVISION—				
1. Mysore	Mysore	11	4,623	6.22
2. Mandya	Mandya	7	1,917	2.58
3. Coorg	Coorg	3	1,586	2.13
4. Hassan	Hassan	8	2,638	3.55
5. South Kanara	Mangalore	6	3,275	4.41
6. Chickmagalur	Chickmagalur	7	2,784	3.75
7. Shimoga	Shimoga	9	4,050	5.45
Mysore Division	Mysore	51	20,873	28.09
III. BELGAUM DIVISION—				
1. Belgaum	Belgaum	10	5,130	6.90
2. Bijapur	Bijapur	11	6,601	8.89
3. Dharwar	Dharwar	16	5,305	7.14
4. North Kanara	Karwar	11	3,971	5.35
Belgaum Division	Belgaum	48	21,007	28.28
IV. GULBARGA DIVISION—				
1. Gulbarga	Gulbarga	10	6,296	8.47
2. Raichur	Raichur	9	5,687	7.65
3. Bidar	Bidar	4	2,057	2.77
Gulbarga Division	Gulbarga	23	14,040	18.90
MYSORE STATE	Bangalore	170	74,293	100.00

Note.—* This figure supplied by the Census Commissioner for Mysore differs from the area figure given on page 1, which is supplied by the Surveyor General of India. According to the latter, the correct area can only be determined, after a regular survey on the ground is conducted for the new State.

The New Mysore State is the result of the integration of five units which were under different administrations. Hence the State is also divided into four divisions, namely, Bangalore, Mysore, Belgaum and Gulbarga, as shown in the above statement.

The Districts in the order of their sizes are as follows—

Bijapur, Gulbarga, Raichur, Dharwar, Belgaum, Mysore, Chitaldrug, Tumkur, Shimoga, North Kanara, Bellary, South Kanara, Kolar, Bangalore, Chickmagalur, Hassan, Bidar, Mandya and Coorg. Though Dharwar District is fourth in size, it has the largest number of taluks (16). Coorg is the smallest district having only three taluks. The size of the taluks vary from 45 square miles to 1,076 square miles.

A district has on an average about 9 taluks. A taluk consists of approximately 150 villages, and has a population of 1,14,125 persons on the average.

Out of the 170 taluks in the State, 40 taluks have an area less than 300 square miles, 97 taluks have an area between 300 and 600 square miles, 31 have an area between 600 and 900 square miles and the remaining 2 taluks have an area exceeding 1,000 square miles. Kollegal Taluk in Mysore District has the largest area of 1,076 square miles, whereas Sringeri Taluk in Chickmagalur District has the smallest area of 45 square miles. The average area of a taluk is 440 square miles.

Distribution of taluks according to area groups

Area Groups	*Number of Taluks*
Below 200 square miles	10
200 square miles and below 300 square miles ..	30
300 square miles and below 400 square miles ..	45
400 square miles and below 500 square miles ..	29
500 square miles and below 600 square miles ..	23
600 square miles and below 700 square miles ..	16
700 square miles and below 800 square miles ..	12
800 square miles and below 900 square miles ..	3
900 square miles and below 1,000 square miles ..	..
1,000 square miles and above	2
Total ..	170

(*Source.*—Census 1951. The area figures for districts affected by the States' Reorganisation have been supplied by the Census Commissioner for Mysore, Bangalore).

APPENDIX—2.

Mysore in India—1961.

Sl. No.	*Economic Indicator*	*Unit*	*India*	*Mysore*	*Percentage*
1	2	3	4	5	6
1.	General—				
1.1.	Area ..	Square Miles ..	11,76,517	74,861	6.3
1.2.	Population ..	Millions ..	431	23.55	5.3
1.3.	Income ..	Rs. Crores ..	13,000	602	4.5
1.4.	Per Capita Income ..	Rupees ..	302	266	..
2.	Agriculture—				
2.1.	Foodgrains ..	Lakh tons ..	750	38.5	5.1
2.2.	Cotton ..	Lakh bales ..	54	5.0	9.3
2.3.	Sugarcane (Gur) ..	Lakh tons ..	72	4.1	5.7
2.4.	Net total irrigated area	Lakh acres ..	700	21.3	3.04
2.5.	Soil conservation (Additional area).	Lakh acres ..	20	2.24	11.2
2.6.	Fertiliser consumption (N—P205).	Thousand tons ..	427	20.70	4.8
2.7.	Seed Farms ..	Number ..	4,000	56	1.4
2.8.	Development Blocks ..	Number ..	3,112	187	6.0
3.	Power—				
3.1.	Power (installed capacity)	Million KW ..	5,300	0,208	3.7
3.2.	Towns and Villages electrified.	Thousands ..	19.00	4.08	20.5
4.	Industries and Minerals—				
4.1.	Iron ore ..	Lakh tons ..	120	1.75	1.46
4.2.	Electric transformers ..	Thousand KVA	1,350	100	7.40
4.3.	Bicycles ..	Thousand	1,050	0.15	0.014
4.4.	Khadi (traditional+ Amber).	Million Yds. ..	80	0.81	1.0
4.5.	Handloom ..	Million Yds. ..	2,125	331	10.90
4.6.	Raw Silk ..	Lakh Lbs. ..	370	19.0	4.14
5.	Transport and Communications—				
5.1.	Railway (Route Miles)	Thousands ..	35.5	1.7	4.7
5.2.	Roads (Surfaced) ..	Thousand miles	144	17.13	11.8%
5.3	Post Offices ..	Thousands ..	75	4.42	5.8
5.4.	Telegraph Offices ..	Number ..	6,300	415	6.6
6.	Education—				
6.1.	Students in Schools ..	Millions ...	41.1	2.7	6.6
6.2.	Primary Schools ..	Thousands ..	354.9	23.5	6.6
6.3.	Middle Schools ..	Thousands ..	30	3.9	13.4
6.4.	High Schools ..	Thousands ..	14	0.7	5.0
6.5.	Engineering and Technology Instituted intake (degree+diploma).	Thousands ..	37.2	4.4	11.8
6.6.	Agriculture & Veterinary Colleges (intake).	Number ..	5,800	260	4.5
6.7.	Medical Colleges (intake)	Number ..	4,790	540	11.5
7.	Health—				
7.1.	Hospitals and Dispensaries.	Thousands ..	12.6	0.92	7.3
7.2.	Primary Health Units (GOI and State Pattern).	Number ..	2,800	3.36	12.0
7.3.	Doctors (Registered) ..	Thousands ..	84	3.8	4.5
7.4.	Nurses (Registered) ..	Thousands ..	32.5	1.3	4.0
7.5.	Midwives (Registered)	Thousands ..	40	1.14	2.9

APPENDIX 3.

FINANCIAL PROGRESS UNDER TWO FIVE YEAR PLANS.

(Rs. Crores)

Sl. No.	*Sector*	*First Plan*		*Second Plan*	
		Outlay	*Expenditure*	*Outlay*	*Expenditure*
1.	Agriculture, Minor Irrigation and Allied.	5.1	4.2	17	17.42
2.	Community * Development and Co-operation.	1.0	1.6	14	12.52
3.	Major and Medium Irrigation ..	16.1	15.4	33	28.27
4.	Power	13.8	10.4	27	28.02
5.	Village and Small Industries ..	..	..	7	4.99
6.	Industry and Minerals † ..	2.1	1.3	5	2.95
7.	Transport and Communications	4.9	4.8	10	13.72
8.	Social Services	3.7	2.8	31	32.42
9.	Miscellaneous $	..	..	1	.51
	Total ..	47.6	40.5	145	140.82 ‡2.00

* Rural Development in the first Plan

† No 'Mineral Development' in the first Plan.

‡ Expenditure in the integrated areas from 1st April 1956 to 31st October 1956.

$ Includes "Statistics", "Publicity" and 'Local Bodies".

APPENDIX 3.

(A) FINANCIAL PROGRESS IN THE FIRST PLAN.

Sl. No.	Head of Development	Provision as per origional Plan 1951-56	Provision as per revised Plan 1951-56	*Expenditure*					Total Expenditure 1951–56 (Rs. in Lakhs)
				1951–52	1952–53	1953–54	1954–55	1955–56	
1	2	3	4	5	6	7	8	9	10
1.	Agriculture and Food Production including Minor Irrigation.	461.04	427.81	113.79	83.46	69.66	47.04	46.47	360.42
2.	Veterinary and Animal Husbandry.	63.53	63.10	11.48	10.53	11.27	9.83	8.83	51.64
3.	Forests	8.38	8.59	1.37	1.49	1.16	1.43	2.07	7.52
4.	Co-operation	8.33	6.73	2.03	1.51	0.98	1.74	1.83	8.09
5.	Fisheries	2.61	3.23	0.45	0.50	0.48	0.63	0.97	3.03
6.	Rural Development	187.50	187.35	30.84	26.61	13.28	36.28	40.78	147.79
7.	Irrigation	1,136.00	1,609.64	248.34	283.45	235.38	366.09	404.31	1,537.57
8.	Power	1,309.10	1,379.19	203.33	283.95	238.43	138.34	175.62	1,039.67
9.	Industries	170.36	205.76	11.38	11.74	12.84	31.27	62.83	130.06
10.	Transport	305.38	493.40	32.56	58.28	95.13	128.73	165.39	480.09
11.	Education	251.53	182.56	28.29	29.95	29.97	33.45	39.34	161.00
12.	Public Health	89.50	16.70	5.24	6.54	1.32	0.52	0.60	14.22
13.	Medical Services	57.35	50.92	4.66	3.56	4.63	5.25	4.47	22.57
14.	Housing	57.18	7.18	1.69	2.34	0.27	..	..	4.30
15.	Welfare of Backward Classes ..	106.22	115.90	2.05	19.73	15.14	16.09	12.33	83.34
	Grand Total ..	4,214.01	4,758.06	716.14	823.64	729.56	816.39	965.47	4,051.20

* Besides the above Heads of Development, there were certain additional and Centrally-Sponsored Schemes implemented during the First Plan under (1) Food Production, (2) N.E.S. and C.D. Projects, (3) Animal Husbandry, (4) Education, (5) Public Health, (6) Housing (7) Welfare of Backward Classes, (8) Mysore Iron and Steel works and (9) Land Development Works—the total expenditure being almost Rs. 5.00 Crores.

APPENDIX 3.

(5) FINANCIAL PROGRESS IN THE SECOND PLAN.

(Rs. in Lakhs).

S. No.	*Head of Development*	*Second Plan Provision (Revised)*	*Actual expenditure during* 1956-57	1957-58	1958-59	1959-60	*Anticipated Expenditure during* 1960-61	*Total*
1	2	3	4	5	6	7	8	9
1.	Agriculture	384	19.84	31.44	47.77	77.46	149.70	326.21
2	Minor Irrigation	420+(330) *	68.20	94.10	150.78	205.54	293.61	812.23
3.	Land Development	27	3.14	2.97	3.02	3.80	3.61	16.54
4.	Animal Husbandry	134	5.37	7.03	7.56	14.00	41.52	75.48
5.	Dairying and Milk Supply	48	1.03	4.64	3.76	3.64	8.57	21.64
6.	Forests	73	9.22	17.65	25.80	25.45	40.17	118.29
7.	Soil Conservation	209	15.33	21.02	28.47	42.00	54.10	160.92
8.	Fisheries	65	1.97	6.11	8.95	10.49	16.72	44.24
9.	Warehousing and Marketing	81	1.80	7.88	6.44	7.72	7.32	31.16
10.	Co-operation	276	16.09	30.64	37.14	70.98	81.29	236.14
11.	Development of Area under Irrigation Projects ..	225	16.05	20.01	31.36	29.39	35.66	132.47
12.	Village Panchayats	63	..	11.61	10.01	10.78	..	32.40
13.	Community Development	1,022	98.93	146.38	204.56	244.07	290.00	983.94
14.	Irrigation	3,299	554.87	482.40	488.88	506.28	795.00	2,827.43
15.	Power	2,728	222.47	378.97	495.94	610.22 †	1,094.40	2,802.00
16.	Large and Medium Industries	359	37.64	27.94	23.78	42.12	31.52	163.00
17.	Mineral Development	140	1.58	15.47	22.78	24.73	68.33	132.89
18.	Village and Small Industries	680	102.51	103.61	98.43	84.38	110.96	499.89
19.	Roads	809	78.98	117.94	117.25	156.82	453.47	924.46

20. Road Transport	154 (State Share)	16.49	57.59	102.51	113.43	140.25 (State Share)	430.27 143.42)
21. Ports and Harbours	18	0.48	0.48	0.51	1.35	2.37	5.19
22. Tourism	21	..	..	0.56	2.85	7.85	11.26
23. Education	1,150	63.77	167.59	216.28	263.55	395.94	1,107.13
24. Health	1,143	176.66	216.68	252.45	281.75	486.25	1,413.79
25. Housing	419	55.55	63.18	45.01	73.88	76.33	313.95
26. Labour and Labour Welfare	79 (State Share)	0.02	6.37	23.43	26.95	40.46 (State Share	97.23 38.93)
27. Social Welfare	55 (State Share)	4.54	8.35	8.29	7.34	3.93	32.45
28. Welfare of Backward Classes	296	28.77	45.58	54.51	68.88	80.00	277.74
29. Statistics	8	..	0.15	0.55	1.80	2.75	5.25
30. Publicity	28	0.82	0.69	1.26	0.95	3.04	6.76
31. Local Bodies	97	5.40	11.65	16.02	6.48	..	39.55
Total	14,513	1,607.52 +200.00 ‡ 1,807.52	2,106.12	2,534.06	3,019.08	4,815.12	14,081.90 +200.00‡ 14,281.90

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* Special provision for Minor Irrigation to be adjusted withhin the ceiling.

† This includes Rs. 124.82 lakhs of State Electricity Board Schemes.

‡ Expenditure in integrated areas from 1st April 1956 to 31st October 1956.

APPENDIX—4.

A PERSPECTIVE OF THE MYSORE ECONOMY—1956-66.

Sl. No.	*Economic Indicator*	*Unit*	1956	1961	1966
1	2	3	4	5	6
1.	GENERAL—				
1.1.					
1.2.	Population	Millions	21	23.55	27
1.3.	Income	Rs. Crores	517	602	722
1.4.	Per capita Income	Rupees	243	266	298
2.	AGRICULTURE—				
2.1.	Foodgrains	Lakh tons	33.5	38.5	48.5
2.2.	Cotton	Lakh bales	3.63	5.00	7.50
2.3.	Sugarcane (Gur)	Lakh tons	2.90	4.10	5.60
2.4.	Net total irrigated area	Lakh acres	17.7	21.3	30.3
2.5.	Soil conservation (additional area).	Lakh acres	1.16	2.24	2.70
2.6.	Fertiliser consumption (N+P205).	Thousand tons	N.A.	20.70	113.00
2.7.	Seed Farms	Number	..	56	106
2.8.	Development Blocks	Number	78½	187	268
3.	POWER—				
3.1.	Power (installed capacity)	Lakh KW	1.80	2.08	9.77
3.2.	Towns and Villages electrified	Thousands	3.2	4.08	4.87
4.	INDUSTRIES AND MINERALS—				
4.1.	Iron ore	Lakh tons	N.A.	1.75	5.0
4.2.	Electric transformers	Thousand KVA	50	100	500
4.3.	Bicycles	Thousand	..	0.15	25.00
4.4.	Khadi (Traditional+Ambar)	Lakh Yards	N.A.	8.10	N.A.
4.5.	Handloom	Lakh Yards	3,000	3,310	3,600
4.6.	Raw Silk	Lakh lbs	17.5	19.0	25.0
5.	TRANSPORT AND COMMUNICATIONS—				
5.1.	Railway (Route miles)	Thousands	1.7	1.7	N.A.
5.2.	Roads (Surfaced) i.e. of PWD	Thousand miles	12.2	17.13	18.47
5.3.	Post Offices	Thousands	3.81	4.42	N.A.
5.4.	Telegraph Offices	Number	N.A.	415	N.A.
6.	EDUCATION—				
6.1.	Students in Schools	Lakhs	20.0	27.0	39.0
6.2.	Primary Schools	Thousands	19.9	23.5	25.5
6.3.	Middle Schools	Thousands	2.4	3.9	5.1
6.4.	High Schools	Thousands	0.5	0.7	0.96
6.5.	Engineering and Technology Institutes intake (Degree+Diploma).	Thousands	1.89	4.4	4.85
6.6.	Agriculture and Veterinary Colleges (Intake).	Number	..	260	..
6.7.	Medical Colleges (intake)	Number	200	540	670
7.	HEALTH—				
7.1.	Hospitals and Dispensaries	Number	780	920	1,000
7.2.	Primary Health Units (GOI and State Pattern).	Number	174	336	621
7.3.	Doctors (Registered)	Thousands	2.8	3.8	5.00
7.4.	Nurses (Registered)	Thousands	1.1	1.3	2.50
7.5.	Midwives (Registered)	Thousands	0.9	1.14	2.01

NA—Not available.

APPENDIX 5.

LAND UTILISATION AND PRODUCTS OF PRINCIPAL CROPS.

LAND UTILISATION

(in thousand acres)

Year/ District	Area according to professional Survey	Area according to village papers	Forest	Not available for cultivation		
				Land put to non-agricultural Uses	Barren and Uncultivabe land	Total
1	2	3	4	5	6	7
1952-53 ..	47,351	45,846	6,623	1,941	2,415	4,356
1953-54 ..	47,413	45,931	6,666	2,116	2,287	4,403
1954-55 ..	47,415	45,779	6,683	2,103	2,238	4,341
1955-56 ..	47,416	45,910	6,689	2,109	2,086	4,194
1956-57 ..	47,472	46,156	6,650	1,871	2,250	4,121
1957-58 ..	47,475	46,169	6,690	18,36	2,185	4,021

Year/ District	Other uncultivable Land excluding fallow land.				fallow lands			Net Area sown	Area sown more than once
	Permanent pasture and other grazing lands	Land under misc. tree crops and groves not included in net area sown	Cultivable waste	Total	Fallow lands other than current fallows	Current fallows	Total		
	8	9	10	11	12	13	14	15	16
1952-53 ..	4,321	876	1,595	6,792	2,155	2,321	4,476	23,600	370
1953-54 ..	4,392	848	1,499	6,739	1,777	1,966	3,744	24,380	610
1954-55 ..	4,469	817	1,306	6,592	1,694	2,116	3,810	24,353	638
1955-56 ..	4,403	922	1,533	6,859	1,645	1,653	3,298	24,869	824
1956-57 ..	4,494	966	1,622	7,082	1,178	2,227	3,405	24,898	802
1957-58 ..	4,508	948	1,609	7,065	1,185	2,126	3,311	25,082	852

(b) AREA AND PRODUCTION OF PRINCIPAL CROPS IN MYSORE.

Particulars	*Area (in acres)*			*Production (in tons)*		
	1958-59	1959-60	1960-61 (*Estimates*)	1958-59	1959-90	1960-61 (*Estimates*)
1	2	3	4	5	6	7
FOOD GRAINS						
(i) *Cereals*—						
1. Rice	23,61,730	23,65,150	24,50,549	12,82,789	13,11,224	11,86,302
2. Jowar	65,84,063	60,99,695	62,76,156	9,97,532	9,73,605	9,84,566
3. Ragi	25,88,113	23,04,756	22,57,877	8,14,771	7,65,391	6,33,927
4. Bajra	11,61,508	12,74,725	12,27,101	1,09,864	1,11,082	1,08,823
5. Maize	25,524	26,391	26,733	8,744	8,911	9,009
6. Barley	8,405	8,490	707	1,986	2,042	N.A.
7. Wheat	7,40,012	7,38,719	7,37,000	64,250	62,437	73,000
8. Minor Millets	11,34,579	10,66,830	9,77,891	1,31,245	1,22,144	1,11,517
Total Cereals ..	1,46,03,934	1,38,84,756	1,39,54,014	34,11,181	33,56,836	31,07,144
(ii) *Pulses*—						
1. Gram	3,82,813	3,86,006	3,30,000	43,914	36,834	45,000
2. Tur	6,06,260	6,06,248	5,73,091	63,694	76,026	71,305
3. Other Kharif Pulses ..	16,84,936	16,38,656	15,40,269	1,55,367	1,50,065	1,42,490
4. Other Rabi Pulses ..	3,96,079	3,18,870	2,85,000	36,461	30,279	27,000
Total Pulses ..	30,70,088	29,49,780	27,28,360	2,99,436	2,93,204	2,85,795

NON-FOOD CROPS

(i) *Oil Seeds*—						
1. Groundnut	20,29,084	20,98,229	20,92,014	5,36,560	3,81,213	4,23,417
2. Castor	1,00,585	1,00,143	1,00,030	11,808	12,312	12,382
3. Sesamum	1,72,529	1,71,793	1,64,243	13,793	13,953	14,689
4. Linseed	1,27,958	1,22,207	1,19,821	10,138	9,137	9,197
5. Rape and Mustard ..	6,900	8,689	9,346	648	760	925
6. Others	4,31,570	N.A.	N.A.	29,454	N.A.	N.A.
Total Oil seeds ..	28,68,626	25,00,961	24,85,454	6,02,401	4,17,375	4,60,610
(ii) *Fibres*—						
1. Cotton (bales of 392 lbs.)	25,36,610	24,91,895	23,48,882	4,40,866	4,64,815	4,14,905
2. Mesta (bales of 400 lbs.) ..	58,724	60,900	56,645	60,451	73,771	55,673
3. Sannhemp	37,160	32,927	39,253	2,303	1,498	1,795
4. Jute	208	..	..	128	..	..
(iii) *Other Crops*—						
1. Sugarcane	1,40,738	1,47,440	1,46,060	39,17,977	3842,723	37,62,048
2. Tobacco	1,01,536	97,105	1,02,000	24,086	24,387	23.000
3. Potato	15,264	17,262	17,646	24,593	27,681	N.A,
4. Coffee (bushels) ..	1,78,422	1,82,458	N.A.	32,83,794	34,81,396	N.A.
5. Cocoanut	2,36,232	2,38,451	N.A.	2,60,341	2,60,085	N.A.
6. Arecanut (Beetlenut) ..	71,625	72,129	N.A.	24,516	24,621	N.A.
7. Pepper (Mds. of 28 lbs.) ..	5,719	6,833	6,889	43,873	1,00,973	1,02,542
8. Ginger (Mds. of 24 lbs.) ..	895	949	973	41,660	64,847	65,428
9. Chillies	2,44,236	2,47,819	2,40,792	23,284	25,469	25,492
10. Cardamom (Tons) ..	45,949	48,136	N.A.	1,324	1,386	N.A.

(Source :—Department of Statistics).

APPENDIX—6.

STATE REVENUE AND EXPENDITURE.

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimates*)
1	2	3	4	5	6
I. REVENUE.—					
1. Tax Revenue ..	2389.07	3020.12	3143.00	3389.20	3497.65
	(41.09)	(43.84)	(42.62)	(40.67)	(40.41)
2. Non-Tax Revenue ..	3425.68	3868.78	4231.18	4944.07	5156.75
	(58.91)	(56.16)	(57.38)	(59.33)	(59.59)
Total Revenue ..	5814.75	6888.90	7374.18	8333.27	8654.40
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
I. EXPENDITURE.—					
1. Development ..	3830.75	4299.76	4870.53	6055.42	6633.53
	(72.13)	(72.90)	(72.73)	(72.48)	(73.01)
2. Other than Development.	1480.14	1598.33	1826.57	2298.94	2452.39
	(27.87)	(27.10)	(27.27)	(27.52)	(26.99)
Total Expenditure	5310.89	5898.09	6697.10	8354.36	9085.92
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Surplus (+) or Deficit (—) ..	(+)503.86	(+)990.81	(+)677.08	(—)21.09	(—)431.52
Plan Expenditure ..	2094.69	2555.04	3500.	4077.35	

Note.—The figures in brackets represent the percentages to total Revenue or total expenditure.

I. *Taxes on Income.*—					
(1) Share of Income Tax	382.77	389.61	407.70	447.08*	415.26*
	(16.02)	(12.90)	(12.97)	(13.19)	(11.87)
(2) Agricultural Income Tax.	54.04	102.94	88.62	86.36	81.00
	(2.26)	(3.41)	(2.82)	(2.55)	(2.32)
Total ..	436.81	492.55	496.32	533.44	496.26
	(18.28)	(16.31)	(15.79)	(15.74)	(14.19)
II. *Taxes on property and Capital Transactions.*—					
(3) Estate Duty ..	11.35	13.34	12.66	17.47	16.92
	(0.47)	(0.44)	(0.40)	(0.51)	(0.48)
(4) Land Revenue ..	403.86	472.62	430.35	458.84	484.5
	(16.90)	(15.65)	(13.69)	(13.54)	(13.85)
(5) Stamps ..	139.48	157.54	185.55	209.00	218.00
	(5.84)	(5.22)	(5.90)	(6.17)	(6.23)
(6) Registration ..	26.75	27.69	30.59	32.41	32.80
	(1.12)	(0.92)	(0.98)	(0.96)	(0.94)
Total ..	581.44	671.19	659.15	717.72	752.26
	(24.33)	(24.23)	(20.97)	(21.18)	(21.50)

APPENDIX 6—(*contd.*)

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimates*)
1	2	3	4	5	6
III. *Taxes on Commodities and Services.*—					
(7) Union Excise Duties	226.36 (9.47)	351.99 (11.65)	364.36 (11.59)	368.11 (10.86)	373.38 (10.67)
(8) State Excise ..	289.07 (12.10)	308.39 (10.21)	320.01 (10.18)	294.67 (8.69)	295.11 (8.44)
(9) Sales Tax ..	496.68 (20.80)	705.99 (23.38)	718.56 (22.86)	843.33 (24.88)	921.14 (26.34)
(10) Tax on Vehicles ..	219.97 (9.21)	268.46 (8.89)	312.91 (9.96)	345.00 (10.18)	365.00 (10.44)
(11) Tax on Railway Fares.	21.40 (0.90)	48.47 (1.60)	58.16 (1.85)	61.37 (1.81)	55.63 (1.59)
(12) Other Taxes and Duties (*a*).	117.34 (4.91)	173.08 (5.73)	213.53 (6.80)	225.56 (6.66)	238.87 (6.83)
Total ..	1,370.82 (57.39)	1856.38 (61.46)	1987.53 (63.24)	2138.04 (63.08)	2249.13 (64.31)
Total Tax Revenue ..	2389.07 (100.00)	3020.12 (100.00)	3143.00 (100.00)	3389.20 (100.00)	3497.65 (100.00)
Percentage of Total Revenue ..	41.09	43.84	42.62	40.67	40.41

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Total Tax Revenue ..	100.00	126.41	131.56	141.86	146.40
Taxes on Income ..	100.00	112.74	113.61	122.10	113.59
Taxes on Property and Capital Transactions.	100.00	115.44	113.37	123.44	129.39
Taxes on Commodities and Services.	100.00	135.42	144.99	155.97	164.07

*Excludes :—Grants from Government of India to cover the reduction in Income Tax consequent upon the changes in Company taxation.

(*a*) Includes :—(1) Taxes on luxuries including taxes on entertainment, Amusements, Betting and Gambling.

(2) Receipts from Electricity Duties, Receipts from Tobacco Duties.

(3) Other items, such as Prize competitions, Urban Immovable Property Tax, Sugar Cane Cess, Coorg Land Cess.

Note :—The figures in brackets represent the percentages to total tax revenue.

APPENDIX 6—*(contd.)*

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimates*)
1	2	3	4	5	6
I. DIRECT TAXES.—					
(i) *Share of Central Taxes*—					
1. Income Tax ..	382.77 (16.02)	389.61 (12.90)	407.70 (12.97)	447.08* (13.19)	415.26* (11.87)
2. Estate Duty ..	11.35 (0.47)	13.34 (0.44)	12.66 (0.40)	17.47 (0.51)	16.92 (0.48)
3. Tax on Railway Fares	21.40 (0.90)	48.47 (1.60)	58.16 (1.85)	61.37 (1.81)	55.63 (1.59)
Total ..	415.52 (17.39)	451.42 (14.94)	478.52 (15.22)	525.92 (15.51)	487.81 (13.94)
(ii) *State Taxes*—					
1. Agricultural Income Tax.	54.04 (2.26)	102.94 (3.41)	88.62 (2.82)	86.36 (2.55)	81.00 (2.32)
2. Land Revenue ..	403.85 (16.90)	472.62 (15.65)	430.35 (13.69)	458.84 (13.54)	484.54 (13.85)
3. Stamps ..	139.48 (5.84)	157.54 (5.22)	185.55 (5.90)	209.00 (6.17)	218.00 (6.23)
4. Registration ..	26.75 (1.12)	27.69 (0.92)	30.59 (0.98)	32.41 (0.96)	32.80 (0.94)
Total ..	624.13 (26.12)	760.79 (25.20)	735.11 (23.39)	786.61 (23.22)	816.34 (23.34)
Total Direct Taxes ..	1,039.65 (43.51)	1,212.21 (40.14)	1,213.63 (38.61)	1,312.53 (38.73)	1,304.15 (37.28)
II. INDIRECT TAXES.—					
(i) *Share of Central Taxes.*—					
1. Union Excise Duties	226.36 (9.47)	351.99 (11.65)	364.36 (11.59)	368.11 (10.86)	373.38 (10.67)

APPENDIX 6—*(contd.)*

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimacst*)
1	2	3	4	5	6
(ii) *State Taxes.*—					
1. State Excise Duties ..	289.07 (12.10)	308.39 (10.21)	320.01 (10.18)	294.67 (8.69)	295.11 (8.44)
2. Taxes on Vehicles ..	219.97 (9.21)	268.46 (8.89)	312.91 (9.96)	345.00 (10.18)	365.00 (10.44)
3. Sales Tax ..	496.68 (20.80)	705.99 (23.38)	718.56 (22.86)	843.33 (24.88)	921.14 (26.34)
4. Other Taxes and Duties @	117.34 (4.91)	173.08 (5.73)	213.53 (6.80)	225.56 (6.66)	238.87 (6.83)
Total ..	1,123.06 (47.02)	1,455.92 (48.21)	1,565.01 (49.80)	1,708.56 (50.41)	1,820.12 (52.05)
Total Indirect Taxes ..	1,349.42 (56.49)	1,807.91 (59.86)	1,929.37 (61.39)	2,076.67 (61.27)	2,193.50 (62.72)
Total Tax Revenue ..	2,389.07 (100.00)	3,020.12 (100.00)	3,143.00 (100.00)	3,389.20 (100.00)	3,497.65 (100.00)
Percentage of Total Revenue ..	41.09	43.84	42.62	40.67	40.41

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Total Tax Revenue ..	100.00	126.41	131.56	141.86	146.40
Direct Tax Revenue ..	100.00	116.60	116.74	126.25	125.45
Indirect Tax Revenue ..	100.00	133.98	142.99	153.90	162.56
State Tax Revenue ..	100.00	126.86	131.64	142.80	150.88

**Excludes* :—Grants from the Government of India to cover the reduction in Income tax, consequent upon the changes in Company taxation.

@*Includes* :—(1) Taxes on luxuries including taxes on Entertainment, Amusements, Betting and Gambling.

(2) Receipts from Electricity Duties, Receipts from Tobacco Duties.

(3) Other items, such as, Prize competitions, urban immovable property tax, sugarcane cess, Coorg Land Cess.

Note :—The figures in brackets represent the percentage to total tax revenue.

APPENDIX 6—*(contd.)*

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimates*)
1	2	3	4	5	6
I. RECEIPTS FROM PUBLIC UNDERTAKINGS.—					
1. Forests ..	497.16 (14.51)	567.94 (14.68)	645.23 (15.25)	687.86 (13.91)	692.93 (13.44)
2. Irrigation ..	—7.84 (—0.23)	—15.37 (—0.40)	3.30 (0.08)	45.98 (0.93)	9.39 (0.18)
3. Electricity Schemes ..	106.82 (3.12)	..	..	..	..
4. Road and Water Transport (Net)	97.20 (2.84)	44.81 (1.16)	66.10 (1.56)	25.00 (0.51)	40.00 (0.78)
5. Industries and Supplies.	1361.75 (39.75)	1513.03 (39.11)	1646.06 (38.90)	1744.24 (35.28)	1803.11 (34.96)
6. Civil Works ..	57.46 (1.68)	52.81 (1.37)	87.31 (2.06)	167.50 (3.39)	42.30 (0.82)
Total ..	2112.55 (61.67)	2163.22 (55.92)	2448.00 (57.85)	2670.58 (54.02)	2587.73 (50.18)
II. OTHER REVENUE.—					
1. Receipts from Civil Administration.	429.31 (12.53)	527.60 (13.64)	619.33 (14.64)	866.11 (17.52)	385.87 (7.48)
2. Interest on Debt Services.	145.68 (4.25)	305.75 (7.90)	305.42 (7.22)	292.55 (5.92)	263.82 (5.12)
3. Grants-in-aid* (including miscellaneous adjustments).	626.44 (18.29)	611.24 (15.80)	600.24 (14.19)	734.83 (14.86)	1819.95 (35.29)
4. Extra-ordinary items (including Receipt on account of C.D., N.E.S., and Local Development Works)*	37.49 (1.09)	122.84 (3.17)	105.57 (2.49)	184.55 (3.73)	..
5. Other Miscellaneous items @	74.21 (2.17)	138.13 (3.57)	152.62 (3.61)	195.45 (3.95)	99.38 (1.93)
Total ..	1313.13 (38.33)	1705.56 (44.08)	1783.18 (42.15)	2273.49 (44.08)	2569.02 (49.82)
Total Non-tax Revenue ..	3425.68 (100.00)	3868.78 (100.00)	4231.18 (100.00)	4944.07 (100.00)	5156.75 (100.00)
Percentage of Total Revenue ..	58.91	56.16	57.38	59.33	59.59

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Total Non-tax Revenue ..	100.00	112.93	123.51	144.32	150.53
Receipts from Public undertakings	100.00	102.40	115.88	126.41	122.49
Other Revenue ..	100.00	129.89	135.80	173.14	195.64

*Grants-in-aid from Government of India for plan schemes and other specific purposes were formerly under respective major heads of revenue. Following a change in classification the grants are now shown under this head with effect from 1961-62. Hence, the increase in 1961-62 under Grants-in-aid and decrease under miscellaneous items. The figure for Extra-ordinary items for 1961-62 is shown under Civil Administration 1961-62.

@Includes transfer from Famine Relief Fund, Receipts in aid of Superannuation, Stationery and Printing, and Miscellaneous.

Note :—The figures in brackets represent the percentages to total non-tax revenue.

APPENDIX 6—*(contd.)*

GRANTS-IN-AID FROM GOVERNMEMT OF INDI

Heads of Account	1961-62 *(Budget Estimates)*
1. Grants-in-aid under Article 275 of the Constitution	603.12
2. Grants-in-aid for Centrally sponsored Schemes	..
3. Grants-in-aid under Article 282 of the Constitution	138.32
4 Other Grants-in-aid	1077.91
Deduct—Refunds	0.01
Total	1819.34
Percentage of Grants-in-aid in Total Revenue	21.02

REVENUE EXPENDITURE.

(Rupees in lakhs)

Head of account	1957-58 *(Actuals)*	1958-59 *(Actuals)*	1959-60 *(Actuals)*	1960-61 *(Revised Estimates)*	1961-62 *(Budget Estimates)*
1	2	3	4	5	6
A. Development Expenditure :—					
Expenditure on Economic Development.	2586.61 (48.70)	2951.18 (50.04)	3362.94 (50.22)	4119.12 (49.30)	4262.66 (46.92)
Expenditure on Social Services.	1244.14 (23.43)	1348.58 (22.86)	1507.59 (22.51)	1936.30 (23.18)	2370.87 (26.09)
Total Development Expenditure	3830.75 (72.13)	4299.76 (72.90)	4870.53 (72.73)	6055.42 (72.48)	6633.53 (73.01)
B. Expenditure on Non-Development Services.	1480.14 (27.87)	1598.33 (27.10)	1826.57 (27.27)	2298.94 (27.52)	2452.39 (26.99)
Total Revenue Expenditure ..	5310.89 (100.00)	5898.09 (100.00)	6697.10 (100.00)	8354.36 (100.00)	9085.92 (100.00)

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1. Total Revenue Expenditure	100.00	111.06	126.10	157.30	171.08
2. Development Expenditure ..	100.00	112.25	127.15	158.08	173.17
(a) Economic Development	100.00	114.10	130.01	159.25	164.80
(b) Social Services ..	100.00	108.39	121.18	155.63	190.56
3. Non-Development Expenditure.	100.00	107.98	123.40	155.32	165.69

Note :—The figures in brackets represent the percentages to total Revenue Expenditure.

APPENDIX 6—*(contd.)*

EXPENDITURE ON ECONOMIC DEVELOPMENT (GROSS)

(Rupees in lakhs)

Items of Expenditure	1957-58 (*Accounts*)	1958-59 (*Accounts*)	1959-60 (*Accounts*)	1960-61 (*Revised Estimates*)	1961-62 (*Budget Estimates*)
1	2	3	4	5	6
1. Agriculture ..	113.10 (4.37)	125.18 (4.24)	154.77 (4.60)	197.37 (4.79)	214.95 (5.04)
2. Animal Husbandry ..	49.81 (1.93)	67.44 (2.29)	71.87 (2.14)	98.00 (2.38)	123.80 (2,90)
3. Co-operation ..	43.52 (1.68)	48.73 (1.65)	59.56 (1.77)	50.34 (1.22)	69.63 (1.63)
4. Irrigation ..	100.09 (3.87)	201.04 (6.81)	319.41 (9.50)	361.18 (8.77)	344.44 (8.08)
5. Electricity Schemes ..	75.99 (2.94)	..	..	..	..
6. Civil Works ..	361.29 (13.97)	389.05 (13.18)	474.23 (14.10)	810.55 (19.68)	912.92 (21.42)
7. Rural Development ..	102.39 (3.96)	131.72 (4.46)	159.65 (4.75)	177.92 (4.32)	143.54 (3.37)
8. C.D., N.E.S. & Local Development.	141.73 (5.48)	175.16 (5.94)	210.01 (6.24)	301.76 (7.32)	280.72 (6.59)
9. Forest ..	162.57 (6.28)	204.43 (6.93)	253.12 (7.53)	304.81 (7.40)	319.35 (7.49)
10. Industries and Supplies ..	1429.98 (55.28)	1600.00 (54.22)	1649.28 (49.04)	1796.25 (43.61)	1831.81 (42.97)
*11. Others ..	6.14 (0.24)	8.43 (0.28)	11.04 (0.33)	20.94 (0.51)	21.50 (0.51)
Total ..	2586.61 (100.00)	2951.18 (100.00)	3362.94 (100.00)	4119.12 (100.00)	42.6266 (100.00)
Percentage to total Development Expenditure.	67.52	68.64	69.05	68.02	64.26
Percentage to total Revenue Expenditure.	48.70	50.04	50.21	49.31	46.92
INDEX.					
Expenditure on Economic Development.	100.00	114.09	130.01	159.25	164.80

*Including Scientific Departments, Ports and Pilotage and Capital Outlay on Industrial Development.

Note.—The figures in the brackets represent the percentage to total expenditure on Economic Development.

APPENDIX 6—*(contd.)*

EXPENDITURE ON SOCIAL SERVICES (GROSS)

(Rupees in lakhs)

Head of account	1957–58 (*Actuals*)	1958–59 (*Actuals*)	1959–60 (*Actuals*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimatse*)
1	2	3	4	5	6
1. Education ..	900.19 (72.35)	964.41 (71.51)	1,085.31 (71.99)	1,354.10 (69.93)	1,645.00 (69.39)
2. Medical ..	202.99 (16.32)	227.60 (16.88)	240.29 (15.94)	307.16 (15.86)	332.90 (14.04)
3. Public Health ..	103.92 (8.35)	114.30 (8.48)	131.03 (8.69)	212.50 (10.98)	271.23 (11.44)
4. Labour and Employment ..	.. ..	.. ..	.. ..	.. ..	60.75 (2.56)
5. Miscellaneous Departments ..	37.04 (2.98)	42.27 (3.13)	50.96 (3.38)	62.54 (3.23)	60.99 (2.57)
Total Expenditure ..	1,244.14 (100.00)	1,348.58 (100.00)	1,507.59 (100.00)	1,936.30 (100.00)	2,370.87 (100.00)
Percentage of total Development Expenditure.	32.48	31.36	30.95	31.98	35.74
Percentage to total Revenue Expenditure.	23.43	22.86	22.51	23.18	26.09

INDEX.

Expenditure on Social Services	100.00	108.39	121.18	155.63	190.56

Note.—The figures in brackets represent the percentages to total expenditure on Social Services.

APPENDIX 6—*(concld.)*

EXPENDITURE ON NON-DEVELOPMENT SERVICES.

(Rupees in lakhs)

Head of account	1957–58 (*Accounts*)	1958–59 (*Accounts*)	1959–60 (*Accounts*)	1960–61 (*Revised Estimates*)	1961–62 (*Budget Estimates*)
1	2	3	4	5	6
I. SECURITY SERVICES.—					
(i) Civil Administration :—					
1. General Administration	248.01 (16.76)	248.36 (15.54)	259.41 (14.20)	282.00 (12.27)	345.02 (14.07)
2. Administration of Justice	74.40 (5.02)	76.01 (4.75)	81.26 (4.45)	88.42 (3.85)	99.12 (4.04)
3. Jails ..	31.92 (2.15)	32.02 (2.00)	32.28 (1.77)	41.32 (1.80)	50.57 (2.06)
Total (i) ..	354.33 (23.93	356.39 (22.29)	372.95 (20.42)	411.74 (17.92)	494.71 (20.17)
(ii) Police ..	294.85 (19.93)	309.38 (19.36)	343.46 (18.80)	372.45 (16.20)	405.12 (16.52)
Total (i) and (ii) ..	649.18 (43.86)	665.77 (41.65)	716.41 (39.22)	784.19 (34.12)	899.83 (36.69)
II. OTHER EXPENDITURE.—					
1. Direct Demands on Revenue (excluding Forest).	200.42 (13.54)	277.83 (17.39)	310.71 (17.01)	591.80 (25.74)	559.39 (22.81)
2. Debt Services ..	308.90 (20.88)	307.96 (19.27)	344.00 (18.83)	435.83 (18.96)	434.02 (17.70)
3. Famine ..	37.64 (2.54)	40.05 (2.50)	57.97 (3.17)	99.64 (4.33)	67.36 (2.75)
4. Superannuation, Allowances and Pensions.	146.85 (9.92)	151.03 (9.45)	179.27 (9.82)	190.71 (8.29)	217.32 (8.86)
5. Stationery and Printing	28.06 (1.89)	44.08 (2.76)	52.10 (2.85)	63.06 (2.74)	63.26 (2.58)
6. Other Miscellaneous Contributions and Assignments.	.. ..	.. ..	.. ..	.. ..	89.35 (3.64)
*7. Others ..	109.09 (7.37)	111.61 (6.98)	166.11 (9.10)	133.71 (5.82)	121.86 (4.97)
Total ..	830.96 (56.14)	932.56 (58.35)	1,110.16 (60.78)	1,514.75 (65.88)	1,552.56 (63.31)
Total Non-Development expenditure.	1,480.14 (100.00)	1,598.33 (100.00)	1,826.57 (100.00)	2,298.94 (100.00)	2,452.39 (100.00)
Percentage of Non-Development Expenditure to Total Revenue Expenditure.	27.87	27.10	27.27	27.52	26.99
INDEX.					
Non-Development Expenditure	100.00	107.98	123.40	155.32	165.69

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*It includes territorial and political pensions, privy purses and allowances of Indian Rulers, Miscellaneous and Commutation of pensions from ordinary revenue.

Note.—Figures in brackets represent the percentages to total Non-Development expenditure.

APPENDIX—7.

CAPITAL ASSETS

The following table presents the capital assets of the State the years from 1957-58 to 1961-62.

(Rupees in lakhs)

Items	*Capital Assets of the State as on 31st March*				
	1958 (*Accounts*)	1959 (*Accounts*)	1960 (*Accounts*)	1961 (*Revised Estimates*)	1962 (*Budget Estimates*)
1	2	3	4	5	6
1. Payment of Compensation to land-holders, etc., on the abolition of the Zamindari System.	6.33	29.69	52.59	119.18	181.56
2. Construction of I.N.E. and D. Works (Commercial).	5,642.62	6,220.18	6,751.85	7,667.94	8.54,221
3. Construction of I.N.E. and D. Works (Non-Commercial).	59.90	189.02	276.27	352.33	440.08
4. Capital Outlay on Improvement of Public Health.	210.94	255.66	275.63	284.73	289.73
5. Capital Outlay on Industrial Development.	1,401.62	1,623.07	1,790.59	2,161.82	2,495.29
6. Appropriation to Irrigation and Power Development Fund.	40.00	73.00	105.00	134.00	159.00
7. Capital Account of Civil Works.	530.41	833.40	1,234.38	1,932.38	2,602.88
8. Capital Outlay on Electricity Schemes.	3,409.06	3,721.96	4,232.43	5,170.89	5,920.89
9. Capital Outlay on other State works.	12.94	27.64	39.68	49.68	63.08
10. Capital Outlay on Road Transport Schemes.	174.14	276.64	371.51	516.96	546.96
11. Payment of Commuted value of Pensions.	6.38	6.02	4.24	2.64	1.04
12. Payments to retrenched personnel.	0.02	0.03	0.04	0.05	0.06
13. Capital Outlay on Schemes of State Trading.	—103.42	—22.19	—33.54	—115.88	—104.13
14. Appropriation to the Contingency Fund.	200.00	200.00	200.00	200.00	200.00
15. Capital Outlay on Forests	..	4.52	4.52	4.52	4.52
16. Capital Outlay on Ports ..	..	..	..	..	30.00
Total ..	11,590.94	13,438.64	15,305.19	18,481.24	21,373.17

APPENDIX 8.

DISTRICT WISE INCIDENCE OF LAND REVENUE.

Name of District	*Total revenue from land per head of population*	*Land Revenue assessed on fully assessed area*	*Incidence per acre of Land Revenue on fully assessed area*		*Population of fully assessed area*	*Land revenue assessment per head of population of fully assessed area*
			(1) *For Total area*	(2) *For cultivated area*		
	Rs.nP.	Rs.	Rs.nP.	Rs.nP.	Rs.	Rs. nP.
Bangalore ..	1–60	14,67,520	1–55	1–80	12,81,693	1–15
Kolar ..	1–27	18,65,827	2–33	2–84	8,92,678	2–09
Tumkur ..	1–58	16,57,219	1–13	1–38	11,22,655	1–48
Mysore ..	1–72	17,86,878	1–51	1–68	9,08,637	1–97
Mandya ..	1–82	10,75,211	1–51	1–93	6,75,571	1–59
Hassan ..	2–38	15,21,690	1–48	2–48	6,06,004	2–51
Shimoga ..	4–58	26,98,250	2–01	4–41	6,75,815	3–99
Chickmagalur ..	3–50	11,85,280	1–80	2–67	3,49,783	3–39
Chitaldrug ..	1–49	10,20,731	0–61	0–80	7,85,072	1–30
Bellary ..	1–16	12,48,201	0–70	0–84	7,90,399	1–58
Dharwar ..	3–09	38,24,641	1–43	1–40	15,75,204	2–43
Belgaum ..	2–08	27,83,813	1–12	1–21	16,45,902	1–69
Bijapur ..	1–92	21,78,589	0–58	0–61	13,96,185	1–56
Bidar ..	3–03	16,74,011	1–31	1–90	5,51,857	3–03
Raichur ..	2–34	22,32,332	0–65	0–85	9,53,640	2–34
Gulbarga ..	3–28	39,77,059	1–01	1–28	12,12,036	3–28
S. Kanara ..	1–81	23,58,522	1–74	5–14	13,30,867	1–85
N. Kanara ..	2–03	9,16,206	1–30	3–24	5,17,780	1–77
Coorg ..	1–93	3,51,092	1–38	1–75	1,75,706	2–00
State ..	2–13	3.58,23,162	1–14	1–44	1,74,47,484	2–05

APPENDIX 9

STATISTICS OF GOVERNMENT EMPLOYEES AS ON 31ST MARCH 1959

Sanctioned strength of posts

The sanctioned strength of posts as on 31st March, 1959, as revealed by the census, was 1,45,781 of which 3,723 (or 2.6 per cent) were gazetted, 1,04,465 (or 71.6 per cent) were non-gazetted and the rest 37,593 (or 25.8 per cent) were class IV posts.

Of these, in respect of 6,579 (or 4.6 per cent) of the posts, the tenure of post was not stated. Of the remaining, 1,06,822 (or 76.8 per cent) were permanent posts and the rest 32,200 (or 23.2 per cent) were temporary posts. The corresponding percentages in respect of gazetted, non-gazetted and class IV posts were, as indicated below :—

Tenure of post	*Gazetted*		*Non-Gazetted*		*Class IV*	
	No.	*Percent to total*	*No.*	*Percent to total*	*No.*	*Percent to total*
Permanent ..	2,276	63.5	78,577	79.0	25,969	72.3
Temporary ..	1,305	36.5	20,923	21.0	9,972	27.7
Total ..	3,581	100.0	99,500	100.0	35,941	100.0
Not stated ..	142	..	4,965	..	1,652	..
Grand Total ..	3,723	..	1,04,465	100.0	37,593	100.0
Percentage of not-stated to total in each category.	3.8		4.7		4.4	

Number of filled in and vacant posts

Of the total sanctioned strength, 1,41,178 posts of all classes were filled in; while the remaining 4,603 posts were vacant. The percentage of vacant posts to total strength of posts works out to 3.2. The corresponding percentages among gazetted, non-gazetted and Class IV posts were as follows :—

No. of posts	*Gazetted*		*Non-Gazetted*		*Class IV*	
	No.	*Percent to total*	*No.*	*Percent to total*	*No.*	*Percent to total*
Filled in ..	3,340	89.8	1,01,257	97.0	36,581	97.3
Vacant ..	383	10.2	3,208	3.0	1,012	2.7
Total ..	3,723	100.0	1,04,465	100.0	37,593	100.0

Sanctioned strength of posts—by departments

The four major departments, namely, Education, Police, Revenue and Public Works, alone accounted for a little over 60 per cent of the total number of posts of all categories in the State. The individual percentages were 28.2, 14.9, 11.3 and 7.1 respectively. The position does not remain the same when gazetted, non-gazetted and Class IV posts are considered separately. Coming to gazetted posts, Revenue, Medical, P.W.D. and Education departments happened to be the first four departments. As regards non-gazetted, Education department leads the others with a little over a third of all the non-gazetted posts in the State, followed by Police, Revenue and Public Works Departments. In case of Class IV Posts, Revenue Department would top the list, followed by Education, Medical and Public Works Departments. The actual number and percentage of posts by categories is given in the following table for the foregoing departments :—

Deptts.	*Gazetted Posts*		*Deptts.*	*Non-Gazetted Posts*		*Deptts.*	*Class IV Posts*	
	No.	*Percent*		*No.*	*Percent*		*No.*	*Percent*
Revenue ..	569	15.2	Education ..	35,960	34.4	Revenue ..	5,296	14.1
Medical ..	558	14.9	Police ..	21,101	20.2	Education ..	4,912	13.1
P.W.D. ..	553	14.9	Revenue ..	10,607	10.1	Medical ..	4.335	11.5
Education ..	252	6.8	P.W.D. ..	6,625	6.3	P.W.D. ..	3,160	8.4
Total .. (4 Deptts.)	1,932	51.8	Total .. (4 Deptts.)	74,293	71.0	Total .. (4 Deptts.)	17,703	47.1

Number of employees—by class of appointments

The results indicate that there were 1,41,178 employees as on 31st March 1959 of which 3,340 (or 2.4 per cent) were gazetted, 1,01,257 (or 71.7 per cent) non-gazetted and the rest 36,581 (or 25.9 per cent) Class IV employees. In other words, the proportion of gazetted to non-gazetted employees, excluding Class IV, was about 1:30 and it was about 1:41 including Class IV.

Number of employees by Sex

Of the total of 1,41,178 employees, 1,30,701 (or 92.6 per cent) were males and the rest were females. The proportion of females was highest among Class IV and lowest among gazetted employees. The actual number and percentage of male and female employees in different classes of appointment were as follows :—

Employees	*Gazetted*			*Non-Gazetted*			*Class IV*		
	Males	*Females*	*Total*	*Males*	*Females*	*Total*	*Males*	*Females*	*Total*
Number ..	3,218	122	3,340	93,750	7,507	1,01,257	33,733	2,848	36,581
Percent to total in each category.	96.3	3.7	100.0	92.6	7.4	100.0	92.2	7.8	100.0

Tenure of appointment

Of the total of 1,41,178 employees, 59,812 (or 40.6) employees had not stated their tenure of appointment. Of the remaining, 55,582 (or 68.31 per cent) were permanent and 25,784 (or 31.69 per cent) were temporary employees. The proportion of 'not-stated' is rather over-whelming. The position is almost same among different departments. The actual number and percentage of permanent employees, etc., by different classes of appointment were as follows :—

Tenure of appointments	*Gazetted*		*Non-Gazetted*		*Class IV*	
	No.	*Percent*	*No.*	*Percent*	*No.*	*Percent*
Total ..	3,340	100.0	1,01,257	100.0	36,581	100.0
Not Stated ..	302	9.0	44,662	44.1	14,848	40.6
Stated ..	3,038	91.0	56,595	55.9	21,733	59.4
(*a*) Of which permanent ..	2,450	80.7	40,417	71.4	12,715	58.5
(*b*) Of which temporary ..	588	19.3	16,178	28.6	9,018	41.5

Distribution of employees by nature of work

Out of 3,340 gazetted employees, 1,437 (43 per cent) were attending to Administrative-*cum*-Executive Work, while 1,838 (55 per cent) of them were attending to the technical work and 65 (2 per cent) had not stated the nature of work of the posts held by them. Among 1,01,257 non-gazetted employees, 21,683 (21.4 per cent) were ministerial, 60,915 (60.2 per cent) were executive, and 15,022 (14.8 per cent) were attending to technical work. 3,637 (3.6) of the non-gazetted employees had not stated the nature of work.

The details regarding gazetted, non-gazetted employees are as follows :—

Gazetted			*Number*	*Percent of employees in each group to the total*
(1) Administrative-*cum*-Executive	..	..	1,437	43.0
(2) Technical	..	..	1,838	55.0
(3) Not Stated	..	..	65	2.0
(4) Total	..	..	3,340	100.0

NON-GAZETTED

(1) Ministerial	..	..	21,683	21.4
(2) Technical	..	..	15,022	14.8
(3) Executive	..	..	60,912	60.2
(4) Not Stated	..	..	3,637	3.6
(5) Total	..	..	1,01,257	100.0

Number of employees in different basic pay groups

Of the total, 84,901 (or 60.14 per cent) employees were drawing a basic pay of less than Rs. 51, while another 37,773 (or 26.75 per cent) employees were drawing a basic of Rs. 51 or more but less than Rs. 101. The number of employees in the pay group Rs. 101—200 was 12,808 (or 9.09 per cent). Thus about 96 per cent of the employees were drawing a basic of less than Rs. 201. Only about 3.0 per cent of the employees were drawing a basic pay of Rs. 201 or more. The details are as follows :—

Basic pay range in Rs.	*Number of employees*	*Percent of total*
Less than 51	84,901	60.14
51 or more but less than 101	37,773	26.75
101 do 201	12,808	9.09
201 do 501	3,833	2.72
501 do 751	429	0.30
751 do 1001	146	0.11
1001 do 2001	78	0.06
2001 and above	17	0.02
Not Stated	31,15	0.81
Total	1,41,178	100.00

From the above it is evident that as one moves from lower to higher pay groups, the number of employees in each pay group does not only decrease, but rather falls off abruptly.

The proportion of employees in different pay groups separately for gazetted, non-gazetted and Class IV employees is as shown below :—

Basic pay range in Rs.	*Gazetted*		*Non-Gazetted*		*Class IV*	
	No.	*Percent to total*	*No.*	*Percent to total*	*No.*	*Percent to total*
Less than 51	..	..	48,991	48.5	35,910	98.2
51 or more but less than 101	..	..	37,274	36.8	499	1.3
101 do 201	386	11.6	12,462	12.3	..	..
201 do 501	2,262	67.7	1,571	1.5	..	..
501 do 751	427	12.8	2	..	..	..
751 do 1001	146	4.4	..	..	..	..
1001 do 2001	78	2.3	..	..	..	..
2001 and above	17	0.5	..	..	..	..
Not Stated	24	0.7	957	0.9	172	0.5
Total	3,340	100.0	1,01,257	100.0	36,581	100.0

Estimated Annual expenditure on account of (a) Basic pay and (b) Total emoluments inclusive of all allowances

The expenditure on account of basic pay is estimated as a sum of products of the number of employess in each basic pay group and the mid-value of the group concerned, excepting first and the last groups for which 25 and 3,001 are used. Twelve times this sum would give the estimated annual expenditure on account of basic pay. The expenditure for the 'non-stated' group is estimated on the basis of average basic pay per employee in all the pay groups together. The actual emoluments, inclusive of all allowances for the month of March 1959 were obtained from the individual employees. The total of the emoluments for each basic pay group was obtained by summing up the individual emoluments of all the employees in that group. The total emoluments for the not stated group was estimated on the basis of the average emoluments per individual in all the pay groups taken together.

On an average, an employee drew a basic pay of Rs. 66 per month and his total salary was about Rs. 99 per month. It may be interesting to note that the Central Government employee on an average drew basic of Rs. 75 per month in 1956-57, in Punjab it was Rs. 70 per month (and total emoluments Rs. 109 per month) in 1956-57, in Bihar Rs. 59 per month (and total emoluments Rs. 88 per month) in 1955-56, and in Tripura Rs. 57 per month in 1954-55.

As revealed in the Census, about 60 per cent of the employees (*i.e.*, in the basic pay group less than Rs. 51) drew about 33 per cent (*i.e.*, only a little more than half their percentage), of the total basic pay, while another 27 per cent drawing a basic pay of Rs. 51 or more but less than 101 accounted for about 29 per cent (about their percentage) of the expenditure on account of basic pay. Nine per cent of the employees drawing a basic pay of Rs. 101 or more but less than Rs. 201 accounted for about 18 per cent (double their percentage), of total basic pay. The corresponding percentages, of total emoluments drawn by the employees in these three groups were 39.55, 28.02 and 16.78 respectively. The details are however given below :—

Basic pay group in Rs.	*Percent of employees in the pay group to the total employees*	*Estimated Expenditure Basic Pay*		*Estimated Expenditure Total Emoluments*	
		Amount in Rs.	*Percent of total*	*Amount in Rs.*	*Percent of total*
Below 51	60.14	3,66,53,520	32.96	6,65,10,012	39.54
51 or more but less than 101	26.75	3,21,16,878	28.88	4,71,19,452	28.02
101 do 201	9.09	2,20,89,288	19.87	2,95,60,320	17.56
201 do 501	2.72	1,31,32,698	11.81	1,64,33,580	9.76
501 do 751	0.30	30,31,074	2.73	35,94,816	2.12
751 do 1001	0.11	15,01,476	1.35	16,72,836	1.00
1001 do 2001	0.06	12,15,468	1.09	12,56,052	0.74
2001 and above	0.01	5,46,156	0.49	6,12,000	0.42
Not stated	0.82	9,07,410	0.82	14,25,660	0.84
Total	100.00	11,11,93,960	100.00	16,81,84,728	100.00

SANCTIONED STRENGTH OF POSTS AS ON 31ST MARCH 1959—FILLED IN AND VACANT-BY CATEGORY OF POSTS

Sl. No.	Names of the Departments	Gazetted			Non-Gazetted			Class IV			All		Total No. of Posts
		Filled in posts	Vacant Posts	Total	Filled in posts	Vacant Posts	Total	Filled in posts	Vacant Posts	Total	Filled in posts	Vacant posts	
1.	Animal Husbandry	42	12	54	1,301	89	1,390	1,289	38	1,327	2,632	139	2,771
2.	Education	247	5	252	35,499	461	35,960	4,840	72	4,912	40,586	538	41,124
3.	Medical	408	150	558	2,878	200	3,078	4,169	166	4,335	7,455	516	7,971
4.	Public Health	106	105	211	2,446	349	2,795	2,558	116	2,674	5,110	570	5,680
5.	Agriculture	129	29	158	2,382	124	2,506	1,089	45	1,134	3,600	198	3,798
6.	Settlement and Land Records	64	1	65	1,402	16	1,418	690	4	694	2,156	21	2,177
7.	Electricity (H.E.C.P.) (M.S.E.B.)	139	1	140	3,118	86	3,204	2,755	78	2,833	6,012	165	6,177
8.	C.E. General) P.W.D.	541	12	553	6,063	562	6,625	2,964	196	3,160	9,568	770	10,338
9.	Police	125	..	125	20,644	457	21,101	537	19	556	21,306	476	21,782
10.	High Court	208	11	219	1,910	63	1,973	1,843	66	1,909	3961	140	4,101
11.	Forest	64	..	64	2,704	26	2,730	1,388	11	1,399	4,156	37	4,193
12.	M. G. Secretariat	87	..	87	1,243	..	1,243	813	..	813	2,143	..	2,143
13.	Revenue	566	3	569	10,350	257	10,607	5,260	36	5,296	16,176	296	16,472
14.	Others	614	54	668	9,317	518	9,835	6,386	165	6,551	16,317	737	17,054
	Total	3,340	383	3,723	1,01,257	3,208	1,04,465	36,581	1,012	37,593	1,41,178	4,603	1,45,781

DISTRIBUTION OF GOVERNMENT EMPLOYEES AS ON 31-3-1959 ACCORDING TO NATURE OF WORK.

Department	*Gazetted*				*Non-Gazetted*						
	Admini-strative-cum-executive	*Technical*	*Not stated*	*Total*	*Ministerial*	*Technical*	*Executive*	*Not stated*	*Total*	*Class IV*	*All*
Animal Husbandry ..	1	39	2	42	195	867	201	38	1,301	1,289	2,632
Education ..	158	72	17	247	1,752	2,406	29,767	1,574	35,499	4,840	40,586
Medical ..	15	385	8	408	492	1,948	281	157	2,878	4,169	7,455
Public Health ..	31	91	2	106	426	959	993	68	2,446	2,558	5,110
Agriculture ..	14	115	..	129	666	1,017	637	62	2,382	1,089	3,600
Settlement and Land Records.	30	34	..	64	245	436	712	9	1,402	690	2,156
Electrical (HECP—MSEB)	36	101	2	139	946	725	1,079	368	3,118	2,755	6,012
Public Works Department	55	480	6	541	2,851	2,394	753	65	6,063	2,964	9,568
Police ..	113	11	1	125	710	392	19,361	181	20,644	537	21,306
Judicial ..	5	197	6	208	1,812	60	17	21	1,910	1,843	3,961
Forest ..	20	342	2	64	531	145	1,422	606	2,704	1,388	4,156
Secretariat ..	67	13	7	87	959	256	15	13	1,243	813	2,143
Revenue ..	514	42	10	566	5,695	821	3,619	215	10,350	5,260	16,176
Other Departments ..	396	216	2	614	4,403	2,596	2,058	260	9,317	6,386	16,317
All Departments ..	1,437	1,838	65	3,340	21,683	15,022	60,915	3,637	101,257	36,581	141,178
% to total of each class of appointment.	43.0	55.0	2.0	100.0	21.4	14.8	60.2	3.6	100.0	..	..

DISTRIBUTION OF GOVERNMENT EMPLOYEES AS ON 31-3-1959 BY BASIC PAY GROUPS AND CLASS OF APPOINTMENT.

Basic Pay range in Rs.	*Gazetted*		*Non-Gazetted*		*Class IV*		*Total*	
	No.	%	*No.*	%	*No.*	%	*No.*	%
Below 30 ..	..	..	..	..	22,772	62.22	22,772	16.13
30 and above but below 51 ..	..	..	48,991	48.38	13,138	35.92	62,129	44.01
51 do 81 ..	..	..	29,183	28.82	499	1.38	29,682	21.02
81 do 101 ..	..	..	8,091	7.99	..	..	8,091	5.73
101 do 126 ..	..	..	4,393	4.34	..	..	4,393	3.11
126 do 151 ..	157	4.69	3,826	3.78	..	..	3,983	2.82
151 do 176 ..	15	0.45	1,826	1.80	..	..	1,841	1.30
176 do 201 ..	214	6.41	2,417	2.39	..	..	2,631	1.86
201 do 251 ..	539	16.14	1,258	1.24	..	..	1,797	1.27
251 do 301 ..	544	16.29	241	0.24	..	..	785	0.56
301 do 351 ..	437	13.08	54	0.05	..	..	491	0.35
351 do 401 ..	362	10.84	17	0.02	..	..	379	0.27
401 do 451 ..	207	6.20	1	..	..	..	208	0.15
451 do 501 ..	173	5.18	..	..	..	..	173	0.12
501 do 551 ..	146	4.36	1	..	..	..	147	0.10
551 do 651 ..	221	6.61	1	..	..	..	222	0.16
651 do 751 ..	60	1.80	..	..	..	..	60	0.04
751 do 851 ..	80	2.40	..	..	..	..	80	0.06
851 do 1001 ..	66	1.98	..	..	..	..	66	0.05
1001 do 1251 ..	39	2.34	..	..	..	..	39	0.06
1251 do 1501 ..	29		..	..	..	..	29	
1501 do 2001 ..	10						10	
2001 do 2501 ..	7	0.51	..	..	..	..	7	0.01
2501 do 3001 ..	1		..	..	..	..	1	
3001 and above	9		..	..	..	..	9	
Not stated ..	24	0.73	9.57	0.95	172	0.48	1,153	0.82
Total ..	3,340	100.00	1,01,257	100.00	36,581	100.00	1,41,178	100.00

Estimated Annual Expenditure Towards Salary (*i.e.*, Total Emoluments Inclusive of all Allowances) of the Government Employees—by Basic Pay Groups.

Basic Pay range in Rs.	*Total No. of Employees*		*Total Emoluments for March 1959 (Rs.)*	*Estimated Annual expenditure in Rs. (12 times—Col. (4)*	*Percentage to total*
	No.	*Percentage*			
Below 30	22,772	16.13	12,00,449	1,44,05,388	8.56
30 and above but below 51	62,129	44.01	43,42,052	5,21,04,624	30.98
51 do 81	29,682	21.02	28,78,822	3,45,45,864	20.54
81 do 101	8,091	5.73	10,47,799	1,25,73,588	7.48
101 do 126	4,393	3.11	6,85,844	82,30,128	4.89
126 do 151	3,983	2.82	7,38,634	88,63,608	5.27
151 do 176	1,841	1.30	4,00,078	48,00,936	2.85
176 do 201	2,631	1.86	6,38,804	76,65,648	4.55
201 do 251	1,797	1.27	5,17,231	62,06,772	3.69
251 do 301	785	0.56	2,73,267	32,79,204	1.95
301 do 351	491	0.35	2,00,036	24,00,432	1.42
351 do 401	379	0.27	1,74,897	20,98,764	1.25
401 do 451	208	0.15	1,05,610	12,67,320	0.75
451 do 501	173	0.12	98,424	11,81,088	0.70
501 do 551	147	0.10	91,360	10,96,320	0.65
551 do 651	222	0.16	1,59,681	19,16,172	1.13
651 do 751	60	0.04	48,527	5,82,324	0.34
751 do 851	80	0.06	71,743	8,60,916	0.51
851 do 1001	66	0.05	67,660	8,11,920	0.49
1001 do 1251	39	0.06	47,157	5,65,884	0.33
1251 do 1501	29		42,090	5,05,080	0.30
1501 do 2001	10		15,424	1,85,088	0.11
2001 do 2501	7	0.01	16,000	1,92,000	0.11
2501 do 3001	1		3,000	36,000	0.02
3001 and above	9		32,000	3,84,000	0.29
Not stated	1,153	0.82	1,18,805*	14,25,660	0.84
Total	14,11,78	100.00	1,40,15,394	16,81,84,728	100.00

*Estimated on the basis of average total emoluments per individual employee in all the specified basic pay groups taken together.

APPENDIX 10

Food Production in First and Second Plan Periods

(NOTE BY THE DEPARTMENT)

In normal years, Mysore State is self-sufficient in millets although slightly deficient in rice. For the year 1956-57, the quantity of foodgrains required at the rate of 16 ozs. per day per head was 28.07 lakhs tons and the total production was 29.46 lakhs tons. Similarly as against the requirement of 31.33 lakh tons in1960-61, the production was estimated to be 38 lakh tons. During the First Plan, considerable emphasis was laid on increased production of foodgrains in general and that of rice in particular. The target fixed for the erstwhile Mysore State was only 92,000 tons. But the actual achievement, however, was 2.15 lakh tons. Emphasis on food production was continued during the Second Plan Period also. The original target fixed for the new Mysore was 4 lakh tons of additional production. This was, however, raised to 5.1 lakh tons later. Calculations made according to the physical targets fixed under various schemes reveal that the targets fixed have been more than achieved as can be seen from the data given below :—

Year	*Target* (in lakhs tons)	*Achievement*
1956-57	5.1	0.542
1957-58		1.020
1958-59		0.870
1959-60		1.760
1960-61		1.382
		5.574

A question has been raised as to how and why this achievement of additional production has not been reflected in the yearly estimates of food production compiled and published by the State. The crop-wise production data according to the statistical estimates are given in appendix. The total production data is given below :—

Year	*Production in thousand tons*
1951-52	2,582
1952-53	2,550
1953-54	3,300
1954-55	3,666
1955-56	3,783
1956-57	3,171
1957-58	3,632
1958-59	3,722
1959-60	3,649

The striking feature of the data is that during the First Plan period there was increase in production of foodgrains by about 50 per cent. On the other hand the level of production reached by the end of the First Plan has not been maintained even during the Second Plan period, although there should have been increase in the level of production by about 5 lakh tons according to the programme. It may be pointed out here that the figures arrived at before 1955-56 are based on the information received from five different State areas which constitute the new State. Similarly it may be pointed out that the crop cutting surveys are not being conducted for minor millets and other pulses. The estimates are based on the revenue returns. With this background, the further study of the data will reveal that the sudden increases in 1953-54, 1954-55 and 1955-56 are mainly due to increase in the production of minor millets and pulses.

The production figures excluding the figures of minor millets and other pulses would be :—

Year		*Total production of all foodgrains in thousand tons*	*Production excluding small millets and other pulses in thousand tons*
1951-52	..	2,582	2,300
1952-53	..	2,550	2,329
1953-54	..	3,300	2,954
1954-55	..	3,666	3,188
1955-56	..	3,783	3,229
1956-57	..	3,171	2,838
1957-58	..	3,632	3,281
1958-59	..	3,722	3,399
1959-60	..	3,649	3,267

These figures indicate definite increasing trend in the production of foodgrains even during the Second Plan period as expected.

It may be stated here that the production of foodgrains in Mysore is subject to more variation than in other States, because of low percentage of irrigated area and because of very vast tract coming in semi-arid zone where foodgrains are mainly grown. Even in the case of paddy, more than 50 per cent of the area is under drilled paddy which is grown in low rainfall conditions. Paddy grown under minor tanks is also subject to rainfall variation since such tanks are mainly situated in low rainfall tracts. Because of variability due to considerable variation in climatic conditions in semi-arid zones, it is not correct to take figures of 1955-56 as the level achieved. This question was discussed at length in the Planning Commission Meetings and also with Shri B. P. Patel, Adviser, Planning Commission. It was finally agreed that the level of production in 1955-56 should be taken as 33.5 lakh tons but not 37.21 lakh tons and that during 1960-61 should be taken as 38.5 lakh tons. Taking these adjustments suggested, it can be assumed that the level of production of foodgrains has increased as programmed.

Note furnished by the Director of Industries and Commerce

2. WORKING OF GOVERNMENT INDUSTRIAL CONCERNS

The following concerns are under the administrative control of the Department of Industries and Commerce :—

1. Government Electric Factory.
2. Government Porcelain Factory.
3. Central Industrial Workshop.
4. Mysore Implements Factory.
5. Government Sandalwood Oil Factories (Mysore and Shimoga).
6. Government Silk Weaving Factory, Mysore.
7. Government Central Workshop, Mercara.
8. Government Soap Factory, Bangalore.

The expansion programme under the First and Second Five-Year Plans were contemplated in respect of the following Government factories and the details regarding outlay, target achieved, etc., during the two plan periods are furnished hereunder :—

1. *Government Electric Factory, Bangalore*

Under the First Five-Year Plan steps were taken to expand the transformer section for stepping up production of transformers from 32,000 KVA to 80,000 KVA per annum. The cost of the expansion scheme was estimated at Rs. 10 lakhs. However the actual expenditure during the plan period was Rs. 3,49,838 and the target achieved was 60,000 KVA as against the contemplated target of 80,000 KVA. The full amount could not be expended mainly due to the fact that negotiations with the foreign collaborators Messrs. A. E. G. of West Germany could not be completed owing to certain technical difficulties.

A scheme to further step up production of transformers from an annual output of 60,000 KVA to 200,000 KVA in technical collaboration with Messrs. A. E. G. of West Germany has been taken up during the Second Plan period. Besides, it is also contemplated to manufacture motors to an aggregate of 60,000 HP annually in addition to the manufacture of switchgears to an aggregate value of Rs. 40 lakhs per annum. The above expansion scheme is estimated to cost about Rs. 118 lakhs. An agreement of collaboration between Government and Messrs. A. E. G., West Germany, was signed in November 1959 which marked the commencement of the implementation of the scheme. The implementation of the scheme has been phased such that the ultimate targets of production are reached within about four years. The scheme has an employment potential of about 1,500 additional hands. Up to the end of 1959-60 a sum of Rs. 2,54,503 has been spent in this behalf. After the full implementation of the scheme an annual output of Rs. 2 crores is anticipated which may yield profit to the extent of Rs. 20 to Rs. 25 lakhs per year.

2. *Government Porcelain Factory, Bangalore*

In order to step up the production of high tension insulators to the extent of 2,500 tons per annum, in technical collaboration with Messrs. N. G. K., Ltd., Japan, the expansion of the Factory was taken up for implementation at an estimated cost of Rs. 84 lakhs under the First Five-Year Plan. The implementation of the plan which was started during 1954-55 was completed on 23rd February 1957 and the production capacity is being gradually stepped up and the target production of 2,500 tons will be reached shortly.

3. *Government Soap Factory, Bangalore*

The shifting and expansion of the Factory was undertaken in the Second Five-Year Plan at an estimated cost of Rs. 20 lakhs. The expansion programme has been completed. The factory started its production in the new premises at Rajajinagar with effect from 1st July 1957. As a result of this the factory is able to double its production and the turnover has increased from Rs. 30 lakhs to Rs. 50 lakhs. As against a target production of 1,200 tons the factory has been able to reach the actual production of 1,081 tons per annum. The actual plan outlay was Rs. 12.93 lakhs while the actual expenditure up to the end of 1959-60 was Rs. 9.82 lakhs.

4. *The Mysore Implements Factory, Hassan*

A scheme for the mechanisation of the factory was sanctioned by Government in April 1954. The cost for implementing the scheme was estimated at Rs. 14 lakhs. The total expenditure up to the end of 1959-60 was Rs. 12 lakhs. The output of the factory has been increased but the anticipated target could not be achieved for want of additional power and timely supply of raw materials. However steps are being taken to obtain the additional requirements of power and other raw materials like iron and steel.

5. *Government Central Industrial Workshop, Bangalore*

The expansion programme of the workshop envisaged the shifting of the workshop to the new premises at Mysore Road and the installation of modern machinery and labour-saving appliances. The construction of new buildings were completed and the factory has already been shifted to the new premises. As against a plan outlay of Rs. 13.6 lakhs a sum of Rs. 9.48 lakhs has been expended up to the end of 1959-60. The target of production was fixed at Rs. 22.50 lakhs for the three years ending 1959-60. The achievement was however Rs. 10.86 lakhs for the period of three years. Due to delay in completion of buildings, the targets could not be achieved.

Incidentally it may be stated that several expansion schemes have been proposed for further extending the production in the above Government Industrial Concerns under the Third Five-Year Plan. Besides expansion schemes in respect of other Government

Industrial Concerns, *viz.*, Government Silk Weaving Factory, Mysore, (2) Government Central Workshop, Mercara, (3) Government Sandal Oil Factories, Mysore and Shimoga, are also under contemplation under the Third Plan.

WORKING OF THE GOVERNMENT SILK FILATURES IN MYSORE

Note furnished by the Director of Sericulture

Even as early as in the year 1922, Government of Mysore started a nucleus Filature Unit with a small number of basins of the Italian type. The area under mulberry in the year 1926-27 was 53,000 acres and it is said to have been lower before. In the year 1936-37 the area under mulberry had touched as low a figure as 25,000 acres. The pilot filature unit that had been started was handed over to a Joint-Stock Company during the year 1937, Government having some sort of control over the management.

During the Second World War due to the impetus the industry got, all the branches in the industry developed including the filature section and it is only during that period that the filatures flourished well. Thereafter due to controls being lifted and imports of silk being freely permitted, the filature industry practically collapsed. This private filature, namely Mysore Silk Filatures. Ltd., was taken over by the Government at a later stage. Other private filatures that sprung up during the War period also collapsed due to the heavy losses sustained. The only private filature now functioning is the Kisan Silk Filatures with 48 basins.

The causes for the unsuccessful working of the filatures have been mentioned by different men in different ways. It is said that the purchase programme of cocoons or selling programme of silk is wrong, or the filatures are not worked to their capacity to bring down the cost, or the cocoons are not graded and purchased and the silk is not graded and sold. It is also said that overhead charges are very high or there is inefficiency in management. It is invariably said that the quality of cocoons produced has not improved to produce quality silk in the filatures. On the other side it is stated that the competition from the charkas and cottage basins is very keen and the filatures are not able to manage them and it has also been stated that the market for the filature silk in India is limited and that this has been taken over by the imports and so the filatures do not find ground to flourish at the moment. It is necessary in this note to discuss these item-wise to have a correct understanding.

Regarding the purchase programme of cocoons, the system that will have to be adopted by the filature will certainly be different from the system that can be adopted by a charaka reeler or a domestic basin owner. These two classes of people have definitely some local influence, and the inter-relationship between them and the cocoon growers is different from the relationship between the filature owner and the cocoon producers. Further the quantity of cocoons consumed by this class individually is limited. There is ample opportunity therefore to pick and choose and at the same time procure them at rates and weights favourable to the reeler under the existing rural set up. No damage is caused to the cocoons during transport in this regard, as they are to be consumed near about. If the cocoon prices are prohibitively high and the charka owner is not able to get the cocoons to the extent required he closes down his reeling work temporarily. All these things will not apply to a filature. Filatures are governed by the Factory Act. Leave with wages, Maternity leave, Holiday with wages will all be regular claim. Cocoons will have to be procured from a number of parties located in different villages at rates prevailing in the market and at weights permissible under law and transported at additional cost.

Regarding the selling of silk, the charka or basin proprietor always thinks of disposing it before a week ends and invariably gets the funds on the silk sold and utilises the same for further working. In the case of filatures silk has to be sold after being tested and made avilable in bulk, as consumers of filatures silk always go in for heavy lots. The filatures cannot work as and when they please without paying compensation heavily.

As far as incurring overhead charges is concerned, this is an inevitable item of expenditure and whether it is very high or very low will be a matter of opinion. One thing, however can be definitely stated and that is the pay scales attached to the Supervisory staff working in an institution producing such a costly commodity as silk is miserably low. The Supervisors get Rs. 30 to Rs. 50 and theForemen get between Rs. 75 and Rs. 100. The General Manager himself does not get more than Rs. 250 to Rs. 500. In the cost structure of silk not more than 3 to 3.3 per cent will be expenditure on the overheads and this cannot be considered as high.

Regarding efficiency in management, I should consider that maximum efficiency that is possible under the conditions available is had in every aspect of it. Labour is paid the least rate, their wage ranging from 4 as. to 8 as., mostly 5 to 6 as for the 8 hours work. Recently wage has been linked with production so that greater production can be achieved. The supervisory staff is entertained to the lowest degree possible. Raw materials are purchased in bulk. Economy in fuel and power is observed to the extent possible.

Regarding the competition from the charka silk, this has already been dealt with earlier. The only thing that could be added to this is, there is a ready market for the charka silk. Handloom weavers in South India, especially in Madras State, are keen on charka silk. In recent days some might have gone in for better grades of silk, but still the market for charka silk has not in anyway diminished. Market for handloom silk fabrics with charka silk is almost steady. If some accustomed to handloom charka silk fabrics have taken to fabrics of better grades of silk, I should say people who were not accustomed to silk fabrics earlier have now taken to silk and so the demand for fabrics of charka silk still continues on a large scale. The field for charka silk consumption has thus been almost steady, though at the same time the market for better grades of silk has also been increasing.. The portion of good silk in the total quantity of silk produced in Mysore State has been certainly going up. This has been possible by the introduction of those cottage basins on a large scale in the villages. These basins are producing silk comparable in quality to that of filatures.

The total production of silk in India itself has increased year after year, as could be seen from the figures furnished by the Central Silk Board. If the import of silk was only with a view to fill in the gap between the country's requirements and its production, the present imports should be far below that was permitted earlier. It is not so. Under these conditions, the filatures get hemmed in. There is not the off-take for what is produced month after month though the filatures offer their silk at rates less than the month's cost of manufacture. Stocks accumulate and interest accrues on the capital locked up. Overall costs of manufacture increase and the filatures come down with further reduction in selling prices only with a view to liquidate the stock, thereby incurring very very heavy losses. During the months of January and February so far the filatures in Mysore have disposed of nearly 60,000 pounds of silk at a loss which would amount to nearly rupees six lakhs. It may be brought to the notice of this Committee now, that even when the filature silk prices were brought down in January 1961 cocoon prices have not appreciably changed. Charka owners continue to purchase the cocoons at the normal rates finding a disposal for their silk. Only the basin owners were not able to operate temporarily. This would only show how the market for the charka remains undisturbed and only market for the filatures have been affected.

Regarding the quality of the cocoons that is used for the filatures, etc., just as good leather cannot be processed out of bad hide good silk cannot be got out of bad cocoons. At the same time one should not be blind to the fact that what is now happening is that available good material is being converted into inferior grade silk and that is because there is a market for inferior silk also. It is not a matter of the filatures buying bad material to make good silk out of it. There cannot be a dispute in the fact that better material can give better silk at a lower price, but when that better material is also available for the charka, the filatures will have the same place as they are having now. How far it will be possible to enact by law distribution of the cocoons available according to quality to the producers of silk of different qualities will have to be looked into. The possibilities of bringing all the cocoons and marketing the same at a common yard where they can be graded and then disposed of not by auction, but by fixing economic prices and disposing them to the filatures or charkas according to quality of silk they produce seems to be the only solution. Introduction of any such control is always resented, however good it may be for the industry. The taste of the silk consuming public itself should change and the demand for the charka silk should come down with the demand for better grades of silk going up. Otherwise whatever improvement may be there in the quality of cocoons that will be produced (possibilities are limited) would not in any way help the inter-relationship between the filatures and the charkas.

Yet another way which suggests to me for the filatures to have better selling course seems to be only when nature will come to their rescue. If the seasonal rains are had in time and in adequate quantities, cocoons crops are bound to be enormous and concentrated during short periods. It is only in such bumper cocoons crop seasons the filatures can step out and build large stocks of cocoons and store them properly later and convert them into silk and try to make some money. If after going through the Balance Sheets of the three filatures of Mysore, one sees that the filatures in Kollegal are definitely better placed than the other two filatures, it is more because of this policy. Even in respect of this filature conditions have become bad for the few years now because of the part played by nature. Mysore District has been practically a drought stricken area and the agriculturists and sericulturists have suffered greatly consequently.

Regarding the selling price of the filature silk, every month the selling price has been lower than the month's cost of manufacture for reasons already mentioned. It is necessary therefore to examine why the costs of manufacture have been high. In the cost structure according to the Indian Tariff Commission Enquiry, 1948, the percentage occupied by the cocoons is 67.5 per cent, in that Rs. 22.3 nP. has been allotted for the cocoons on Rs. 31.75 nP. worked out to be the cost of silk. On the reeling charges 32.5 per cent was provided, the expenditure indicated being Rs. 8.15 nP. The Tariff Enquiry of 1958 fixed the fair ex-words price for the filature silk at Rs. 32.17, which includes 10 per cent return on the capital invested. In the cost structure worked out by them they have fixed Rs. 25.25 on cocoons, and Rs. 5.44 on reeling charges, which will thus answer 82.2 per cent and 17.8 per cent respectively.

How far these ratios are not kept up will have to be found in respect of the filatures when judging how they work. In respect of Government Silk Filatures, Kollegal, in the year 1958 cost of cocoons occupied 65 per cent which became 69 per cent in 1959 and 70 per cent in the year 1960 (first six months). In respect of labour, the percentage of expenditure has been for the three respective period mentioned above, 15 per cent, 13 per cent and 13 per cent, and in respect of power, fuel and other overheads, the proportion has been 20 per cent, 18 per cent and 17 per cent. A sum of Rs. 30-42 nP., Rs. 35-33 nP. and Rs. 35.58 nP. has been the expenditure on the cocoon side as against Rs. 25.25 nP. permitted by the Indian Tariff Commission, thus registering a rise of more than Rs. 10 in the pound of silk. It should therefore be right for the filatures to expect a rise of Rs. 10 in the selling prices of silk also, in which case it is amply justifiable for the filatures to quote Rs. 42 only on this score. Actually the selling prices are below this. Still there is no movement for the silk, this is because for reasons already explained in detail. Similarly in respect of labour and other items of expenditure the amount of expenditure in a pound of silk is bound to be more now than what was permitted in the Tariff Enquiry of the 1958. It will be interesting to note here how the cost of living index has been steadily rising everywhere and information in respect of the sericultural areas in Mysore has been given below.

The cost of living index which was 390.3 in Bangalore and 382.2 in Mysore in 1958 has increased to 422.13 and 427.41 respectively by July 1959 and in the month of December 1960 it was 443.79 in Bangalore and 460.21 in Mysore. If this aspect is considered in fixing the other charges in the cost of silk there is every justification for the prices going up on this account also and so if the selling price of silk is fixed at rates slightly above Rs. 43 it should not be wrong. One thing may be said and that is that the cost of cocoons in silk should not have gone up to Rs. 35.58 as against Rs. 25.25. In this regard also one has to look in how the latter figures can stand before the actuals realisable. The latter is based on working out the cost of mulberry leaves, rearing charges, yield of cocoons and silk therefrom based on enquiries. That may be helpful only if the prices of cocoons are to be controlled. If the prices of cocoons are what they are now, the position of the filatures will not change. If all the branches of reeling have cocoons at the Indian Tariff Commission rates, then the three grades of silk also will have the market and the filatures will be better placed.

This leads one to a very important aspect, *viz.*, fixing of the selling price for the imported silk, the import and distribution of which is in one hand. The market is aware of the quality of the imported silk. A prejudice margin between the selling price of the imported silk and Indian Filature silk at Rs. 5 per lb. exists. Hence, if the selling price of the imported silk is immediately raised suitably there is a possibility for the filature silk also to move. If this had been done as per the State Government's request a few months back the heavy loss recently sustained by the filatures might have been considerably reduced.

A question may arise whether if this price differential of rupees five per lb. is maintained between the sale price of imported silk and the Indian filature silk, there will be market at all for silk in the coming days when the prices go higher and higher. Still I feel that this need not be taken into consideration now. If due to the higher prices, the consuming public give up using silk it will only start with the consumption of higher grade silk getting gradually reduced. After all silk is the buyers commodity and it continue to be so. If there is no off-take for the imported silk at higher prices the import should certainly get reduced. If the demand for the filature silk also should come down due to higher prices their production will also be curtailed. It is likely to be asked whether the filature silk will be used at heavy costs when the imported silk is not available. No doubt the market is likely to be affected. But still the consumers of filature silk in India will have to think of the alternate quality, namely best domestic basin silk, which will also will not be available at rates far below the rates at which the filatures can offer their silk. Unless the prices of all the grades of silk become so high as to make the consumers of silk lose their interest in silk there will not be any great dislocation in the trading of various grades of silk. After all the prices of silk have not gone up as high as prices of other commodities during these ten years.

This above suggestion of increasing the selling price of imported silk, which the Central Government will have to order, will however serve only as a temporary relief. Better method of tackling the solution will be for the agency who are interested in the marketing of foreign silk and releasing the same in the country on profit taking over the entire filature silk produced in the country and selling the same along with the imported silk applying some accepted formula. This would mean taking over the filature silk at the cost of manufacture which will include no doubt the permissible depreciation and interest charges, besides actual cost of manufacture and selling the same in the bazaar at a lower rate, keeping in view the selling rate of the imported silk and meet the loss thus incurred on one hand from out of the profits earned on the other hand. There will certainly be a market for what is produced in the country and when the silk starts easily moving the cost of manufacture in the filatures will get reduced to some extent as charges on interest now being paid will greatly get reduced.

With a view to make the filatures to improve the quality of what is produced a condition can even be stipulated that for buyers of better grades of indigenous silk higher quantities of imported silk will be allotted, while in the case of buyers of the lower grade of the Indian silk only smaller quantities will be given. Every filature will then compete with one another in producing better quality, because the buyers who want to have maximum quantity of imported silk will turn their eyes to the best grade filature silk available and come to the lower grades only after the better grades are exhausted. This would bring in compulsory standardisation in production of silk and submitting the silk that is produced for accepted methods of testing before marketing and will be in the interest of the industry.

Another method that I would suggest is for the agency who are importing the foreign silk and distributing the same making some profit to hand over at the landed price quantities of imported silk to the manufacturers of the indigenous filature silk. Quantities to be handed over would be prorata to their production. Filatures in Mysore produce very nearly 2 lakhs every year and certainly find a market for the entire production and have also their own agency for distribution purposes. Such people are certainly better fitted for handling imported silk also. The sale of such imported silk will be at rates fixed by the Central Agency and also only to those who will be permitted to buy the same by the Central Agency, but the only condition that would be levied would be that proportionate quantity of filature silk also should be lifted. If these methods are accepted it will be possible for the filatures to remain in the market. Otherwise with the heavy losses that they are incurring year after year decision at sometime or other may have to be taken by the Government in regard to the continuance of the filatures, which may adversely affect the interest of the industry itself.

Failure quality silk was required earlier for defence purposes in the manufacturing of parachute fabrics. Such conditions may not arise hereafter. It was possible for filature grade silk being manufactured when the entire Mysore State was producing charka silk all round. It should not therefore be difficult in the future days to produce such a quality silk when we are having abundant quantity of silk produced now in the State which is comparable in quality to that produced by the filatures.

Actually the imports are said to be not so much with a view to find the raw materials for the weaving industry, but with a view to find raw material for making such fabrics as well be of exportable grade, and also for stabilising the prices of cocoons and silk in the country which are showing signs of increase. I am sure that the quantity of fabrics exported under the Export Promotion Scheme would not have consumed even ¼th of the weight of silk imported into the country, and even what is exported may not be all out of imported silk only. I am pretty certain that appreciable portion of the fabrics exported are made out of Indian silk alone. Be that as it may. The import is said to be primarily for stabilising the prices of cocoons and raw silk in the country and also with prices of cocoons and raw silk in the country and also with a view to fill in the gap that exists between what is required and what is produced. State Government have recorded that the production has increased. The Central Silk Board have also recorded that the production has increased. So, there is ample justification for reducing the imports. This is not actually happening.

As far as stabilising the prices of cocoons of the silk, I wish to bring to the notice of the Committee that there is no stability in the selling prices of even the imported silk which is imported at more or less one stable rate. When that is the case, to expect stable prices in respect of other silks may not be very easy. How far importing some quantity of the best grades of silk and releasing the same at lower rates will bring down the price of other grades to the level accepted by the Tariff Commission will have to be studied and this would not be very difficult. The silk that is produced in bulk is of chakra grade for which I have said there is a ready market. That quality silk producer will reduce the price he pays for cocoons only when the market will have the same quality of silk from some other source at very low rates. This cannot be possible by importing, because no country imports charka silk of our type. So, the only method that appears feasible to me is to keep in stock heavy quantities of charka silk produced in the State by buying them over and going on releasing the same at very convenient lots at any rate that could be fixed by those who want to control the price of the cocoons in the country so that the charka man from day to day will decide the price that he should pay for the cocoons in the market. Who that agency who should buy such large quantities of charka silk, stock the same and releases at certain fixed rates, has to be thought of. I would only say that it would be the very same agency who want to deal with the inported silk. It is quite likely that by adopting this procedure, namely, buying charka silk and releasing the same at lower rates, some loss will be incurred. That loss is bound to be recovered in the trading of the imported silk. If this trade of the charka silk is undertaken one can be certain that very soon cocoon prices will be brought to some sort of control, otherwise there seems to be no other method which would immediately bring down the prices of cocoons and maintain them at steady levels. When the prices of cocoons are controlled and the charka silk sold at rates approved by the Tariff Commission then the domestic silk and the filature silk will also be purchased at rates fixed by the Tariff Commission and will find a sale without any accumulation of stock.

Coming to the disposal of our filature silk, it is suggested that a good portion of this may be converted into twisted silk and then marketted. The filature owners are certain of recovering entirely the twisting charges besides making a small margin of profit which would to some extent minimise the losses on the raw silk manufactured by them. Now actual twisting is in the hands of a third party. They buy over the filature silk and convert the same into twisted silk and then sell with some profit. If this work is undertaken by the filatures some additional receipt is possible. More than that in the market now it is reported that silks which are not of filature grade are also twisted and passed of as filatures twisted silk. Silks of lower grade purchased at lower rates twisted and sold under the name filature twisted silk, thus bring in additional income to the twister. When the filatures undertake to market their silk only after it is twisted, the market would have known that filautre twisted silk would be only available from the filatures and not from others.

Government Silk Filatures produces roughly about one lakh of pounds of silk waste annually. There is no offtake for the silk waste within the country for these two years now. The Mysore Spun Silk Mills, Ltd., Chennapatna, has been taken over by Government and expected to function soon. There is good margin of profit for the Spun Silk Mills when it is worked to its full swing, because on the one hand there is not the free export for the silk waste produced in the country and so waste is available for them at low prices and at the other end they have ready market for the spun silk yard produced and this will get affected only when the spun silk yarn is imported. Hence, the possibility for the silk waste getting better prices than what is now available become difficult. Very recently Assam have started a Spun Silk Mills, and Bengal and Bihar are anxious to have one in their own State. When these Mills come up there is a possibility of competition arising for the prices of silk waste, and the Mysore silk waste getting better rate. It is not my intention however, that the Mysore Spun Silk Mills should not be given the silk waste produced in the filatures. What is proposed is only fixing a fair price for the silk waste produced in the filatures and that would enable again to some extent the losses in the filatures being reduced.

Now as it is we have three main Filatures, Government Silk Filatures, Kollegal, Kanakapura and Mysore. While the first two do not have branches, the last one has 5 branches, each running uneconomical number of basins. Possibility of reducing the total number of basins in this filature will have to be examined.

NOTE ON MINOR MINERALS

By Sri T. P. Krishnachar,

Retired Director of Mines and Geology

Definition

In Sub-Rule 2 of Rule 3 of the Mineral Concession Rules, 1949 (brought up-to-date periodically) framed under the Mines and Minerals (Regulation and Development Act, 1948 and 1957 of the Government of India, the following minerals are grouped under "Minor Minerals" the extraction of which does not come under provisions of the above enactment.—

"building stone ; boulder ; shingle ; gravel ; lime shell ; kankar ; limestone used in lime-buring ;murrum ; brick earth, fuller's earth ; bentonite ; ordinary clay ; ordinary sand ; road metal ; red mutti ; shale and slate when used for buildings purposes."

The State Governments are empowered under Rule 4 of the above enactment to frame Rules for the development of Minor Minerals.

Use of Minor Minerals

The minerals (or commonly known as lesser minerals or constructional materials) have varied uses and are very important in building the country's economy. The extraction of these materials for utilisation at site and other consuming centres has been showing phenominal increase year by year though actual statistics of production are not available. The uses to which the minor minerals are put into are mainly the following :—

(1) Construction of buildings for various purposes.

(2) Formation and maintenance of roads and highways including permanent way of the Railway System.

(3) Construction of dams (including tanks), bridges and all other civil works necessary to convey water from the storage reservoirs to the places where the water is utilised for different purposes.

(4) Manufacture of tiles, special types of bricks, pottery and pipes.

(5) Preparation of burnt lime and other lime products for different purposes.

(6) Preparation of refined and activated earths from Fuller's earth and bentonite for use in refining oils.

(7) Other purposes like putting up embankments, minor and major drainage works, etc.

The researches now underway on the behaviour of soils, stones under varied conditions, would probably lead to some more uses of some of the minor minerals in every day life.

Present pattern of administration

There is no uniform system or procedure for the administration of minor minerals for the entire State. Each of the integrated unit forming the present Mysore under States Reorganisation Act of 1956, has a separate set of Rules or procedure adopted for the extraction of the Minor Minerals, details of which are given below :—

Regional Zone	*Authority for the extraction of minor minerals*	*Controlling Officer*
(1) Four Districts of the Former Bombay State	The Bombay Minor Mineral Extraction Rules, 1955.	Officers of the Revenue and Forest Departments at District level, and the Director of Industries and Commerce at State Level though the definite functions of the latter Officer are not made clear in the Rules.
(2) South Canara and Kollegal Taluk of Mysore District	The Madras Minor Mineral Concession Rules, 1956	Do do
(3) Three Districts of the Former Hyderabad State	Rules Regulating the working of the Minor Minerals, 1954.	Director of Mines and Geology with the cooperation and co-ordination of the Revenue Officers as the Taluk and District Levels.
(4) Districts of the Former Mysore State.	Administered under the Mysore Land Revenue Code and Rules thereunder.	
	No separate set of Rules are made but the rates of royalti are fixed in a Schedule to the provisions of the Land Revenue Code.	Officers of the Revenue Department at different levels.
(5) Coorg ..	No separate set of Rules. The extraction is presumably governed under the Land Revenue Laws	Revenue Officers.
(6) Old Mysore for ornamental stones .	Rules for the grant of Licences to quarry ornamental stones within the State of Mysore	Director of Mines and Geology

Till recently a number of quarries containing ornamental variety of grey granite were in charge of the Department of Mines and Geology. But they were transferred back to the Revenue Department for purposes of administration as the stones quarried in these places were used for ordinary building purposes and it was thought that no discrimination need be made in this regard.

Revenue realisation on the extraction of Minor Minerals

For purposes of completion of statistical production of Minor Minerals, the returns are being called for, quarterly, by the Department of Mines and Geology from the Revenue Department, addressing the communications to the Deputy Commissioners of Districts. The experience and a perusal of these returns show that in many cases the production of important minor minerals like stones, bricks, lime, sand, etc., are so small or nil in a quarter. There is considerable building activity going on in all parts of the State necessitating large supplies of building materials. An accurate assessment of the royalty realised at present by the Officers of the different Departments as controlling Officers is not possible. It may be that the licence fee or royalty is credited to some other head of account or deducted in the Contratctor's Bills by the Public Works Department. In any case there is no knowing as to the total realisations of Revenue under this head of account. Royalty assessed and collected on stones and minerals quarried in the Districts of the Former Hyderabad State and in the areas under the administrative control of the Department of Mines and Geology comes to Rs. 1.50 lakhs annually. Even here it may be that the materials utilised in the construction of buildings are not at all taken into account.

In this context it may be suggested that the Controlling Officers of the different Departments, Revenue, Forest, Public Works Department and Department of Mines and Geology be asked to compile figures relating to production of Minor Minerals and the royalty realised thereon for the last 3 years. If the royalty realised is appreciable to compare at least to a small measure to the assessment made separately in the sequel, the only action needed is to lay down a uniform procedure for adoption for the entire State. On the other hand if there is to be a large shortfall it is necessary to concert ways and means to collect the revenue, if need be organising a separate agency for the purpose to work in co-ordination with the other Departments of Government. A rough calculation of the royalty on all minor minerals now extracted for consumption within the State for purposes noted in items 1 to 5 of Para 3 above should be at least Rs. 30 to Rs. 40 lakhs in a year. It is to be ascertained whether the revenue on this source to the extent noted here is being realised every year.

Comparison of the rates of royalty prescribed in the different set of Rules operative in the State

A perusal of the rates shows that there is a wide range in the rates for the same material, the lowest rates being under the Minor Mineral Concession Rules, 1956 of the Madras State. It is necessary to fix rates of royalty for the different minerals uniformly keeping in view the market rates of the buildings and other materials supplied by contractors. The basis for fixing the royalty on the major minerals has been on the sale value of the mineral at site and the minimum rate charged is 5 per cent. The rates of supply of stones, bricks, sand are soring high in the market and it will be in fitness of things that the rates are revised keeping the market rates in view.

Draft Rules for the Extraction of Minor Minerals compiled by the Department of Mines and Geology

When differences in the mode of administration of the minor mineral extraction in the different integrated areas of the State and the range in the variation in the rates of royalty were brought to the notice of Government by the Department of Mines and Geology, the Government directed that a draft set of Rules be compiled for adoption uniformly throughout the State. Accordingly the draft Rules were compiled after studying the Rules in force in the different units and submitted to Government for consideration and sanction. A statement was also attached to the said Rules furnishing data on the prevailing rates of royalty for minerals in different areas and suggesting rates of royalty to be adopted with the Rules. In the light of high prices of building materials in the market it may be desirable to make slight changes in these rates which should be on the high side.

Assessment of the Revenue from Minor Minerals

An attempt has been made below to assess the royalty leviable on the minor minerals for the purposes noted 1 to 5 in Para 3 above in the coming years. The figures adopted for calculation are assumed to be well on the conservative side. The targets fixed for different schemes of the Third Five-Year Plan have also been taken into account in the calculations in respect of the works of the Public Works and Electrical Departments.—

I. Construction of Buildings—

	(Rupees in lakhs)
(*a*) Residential houses including private houses, houses of the Housing Board Schemes, Rural Housing, Plantation Labour Industrial Housing—15,000 houses in a year. Each house is to have a floor space of 10 squares on the average. Royalty on the materials utilised in the construction works out to Rs. 100 per house.	
Total Royalty ..	15.00

	(Rupees in lakhs)
(*b*) Public Buildings—	
(i) Village schools, farm houses, public buildings in towns for offices, etc. Size varies from 5 to 20 squares. Average—12 squares or Rs. 120 Royalty. Number of such buildings 500.	
Royalty ..	0.60
(ii) Large sized buildings for Offices, Schools and Colleges, Hospitals, Laboratories, Administrative Offices of Factories. Average size of building—100 squares. Number of buildings 200.	
Royalty ..	2.00
(*c*) Factories and Industrial Estate Workshops, Machinery Shed, Stores, Assembly Halls. Each unit to have an average floor space of 10,000 square feet or 100 square—200 Units.	
Royalty at Rs. 7/8 per square ..	15.00
	32.60
II. Formation and Maintenance of Road.—	
(*a*) New roads—300 miles. Royalty on road metal including boulder soling at prescribed rates.	
	1.50
(*b*) Repairs—500 miles.	
Royalty ..	1.50
On other miscellaneous works ..	0.50
	34.10
III. Major and Minor Irrigation and Hydro-Electric Works—Bridges, Tunnels, etc.	
Total capital outlay per year assumed at Rs. 20 crores.	
Allowances for labour and materials such as iron and steel, etc., at 50 per cent.	
Materials of construction coming under minor minerals—Rs. 10 crores.	
Royalty at 1 per cent of the cost ..	10.00

IV. Royalty on clays used in tile manufacture, pottery, etc.	
Lumpsum ..	1.40
V. Royalty on export of building materials. Shahabad Stones. Increased Revenue anticipated assuming that more areas would be thrown open for exploitation in the Gulbarga and Bijapur Districts ..	3.00
Grand Total ..	50.00

An annual revenue of Rs. 50 lakhs as royalty on minor minerals could be deemed as minimum provided that necessary measures are taken for proper control on the extraction of minor minerals and assessment and collection of royalty thereon at the prescribed rates. The above amount and the royalty on major minerals, including gold, should in the aggregate be over 1 crore of rupees with the projected large scale mining and marketing of minerals particularly iron and managanese ores in the Third Five-Year Plan both in the Public and Private Sectors.

In conclusion, it may be said that royalty on major and minor minerals is an assured source of Revenue to Government and all efforts have to be made for proper regulation and development of these minerals. The income from the minor minerals is more or less assured as the marketing of these does not depend on foreign trade as in the case of major minerals.

MYSORE GOVERNMENT INSURANCE DEPARTMENT, BANGALORE

Note furnished by the Secretary, Mysore Government Insurance Department

The Mysore Government Insurance Department which is essentially a Welfare Department of Government has to depend for its success and reputation on the business secured and the service rendered to its clientele. This was more so before the transfer of Public Branch of the Department to the Life Insurance Corporation of India in September 1956. Under Government Order Nos. Fl. 2738-41—G. F. 52-52-1, dated 31st May 1952 and Fl. 5311-5314—G. F. 52-52-3, dated 30th August 1952, a Committee known as the Insurance Reorganisation Committee was constituted with Sri J. Appaji Gowda, B.A. (Hons.), Retired Minister of the Government of Mysore, as Chairman and the members of the Committee were—the Secretary to Government, Finance Department and Excise Commissioner in Mysore, Bangalore. The Secretary of the Committee was the Secretary, Mysore Government Insurance Department. In the words of the Government Order the object of that Committee is stated below:—

" The business of the Department has grown so complex that it is considered necessary to reorganise the present system of working of the Department so as to place it on a sound footing with the object of attracting business in a greater measure than at present ".

The Committee have submitted a valuable report in the matter.

Before the recommendations of the Committee could be completely and successfully implemented through necessary sanction of Government, further complications arose consequent on the transfer of the Public Branch of the Department to the Life Insurance Corporation of India from 1st September 1956 and the Reorganisation of the States from 1st November 1956. Consequent on the Reorganisation of States, a portion of the business transacted by the Hyderabad State Life Insurance Fund has been transferred to the Mysore Government Insurance Department. Most of the records of this section are in Urdu and the staff that has been transferred from Andhra Pradesh for this work is not the best that could have been transferred.

When the Public Branch and Official Branch co-existed, the accounting system was easier and any misclassification between the branches could be easily set right by adjustment. Consequent on bifurcation there have been a number of misclassifications in all the sections of the Department—Official Branch premiums going to Public Branch and *vice-versa* and this has resulted in heavy work and correspondence between the Department of Life Insurance Corporation and the treasuries in the State. After the formation of the New Mysore State, the scheme of compulsory insurance was extended to the integrated areas also and there has been inflow of new business from integrated officials also. The consequent increase in work on this account is quite considerable.

The Sub-Committee has to kindly examine the activities and the working expenditure of the Department with the foregoing background. However keeping in view the salient grounds on which economy can be effected in expenditure, certain Development Schemes of the Department have also been put forth in the best interests of the State. While considering the working of the Department, the working of the Motor Branch of the Department has to be viewed separately in a different way as the Branch is working on commercial lines on a competitive basis as a result of which the business of this branch is increasing year by year.

Although this is also a Department of Government, the increase in staff is made only when the net increase in business warrants it, *viz.*, one hand for every net increase of 900 policies. That the Department is worked economically is evident from the low expense ratio experienced by the Department. The expense ratio for the valuation period 1956-59 was 9.82 per cent which is certainly commendable. It may also be mentioned here that the work-load for each official has been fixed with reference to actual tests conducted and experience in the office.

As desired by the Committee the total expenditure incurred annually from the date of States Reorganisation with break up between non-recurring and recurring expenditure and in respect of the latter details under the items called for has been furnished herewith in the form of a statement. A statement showing the total number of employees in the several service categories of the Department is also enclosed. The increase in staff from year to year is due to the progressive increase in business both in the Life Branch and the Motor Branch and also due to the tagging of the work of the policies of the Hyderabad State Life Insurance Fund to the Department. The minimum staff permissible under the existing orders has been entertained on a *pro-rata* basis.

As regards the out-turn of work, a statement showing the progress of Life Assurance (Compulsory) and Motor Insurance business of the Department for the last four years is enclosed to this note. The figures speak for themselves. The set back in life business during 1959-60 is due to the fact that Government stayed temporarily the introduction of Compulsory Insurance to the integrated areas and phenomenal increase in business during 1958-59 is due to the intensive touring and inspection of offices all over the state for securing new business.

In this connection I would like to refer to developmental proposals submitted by this Department for enlarging its activities and augmenting the premium income of this Department, *viz.*, starting of General Insurance including Fire Insurance and the expansion of Motor Insurance business. These developmental activities, which are under the active consideration of Government, will not only increase the premium income of the Department but also help the Ways and Means position of the finances of the Government.

As the Department is run very economically and it is growing rapidly, the staff increasing only in relation to increase in business and its expense ratio is moderate rather low, the question of further economy is of no bearing in the administration of this Department.

A Note on Government Stud Farm, Kunigal

Mysore State has been in the vanguard of Industrial Progress for several years now. In the matter of Horse Breeding Industry, Mysore has given a lead which has been followed by several others.

This Stud Farm is the oldest in India having been in existence for over 170 years and there are very few establishments in India today which can be proud of such a well established farm like this. The stock produced on this Farm have earned a reputation not only in India but also in foreign countries. The performances of some of the stock can favourably be compared with those of foreign breeds as they have beaten many good race horses and also set up a new record of time in classic races. The names of our farm bred foals have found a place in the great race books of the world.

The founder of this Stud Farm is justified in selecting the best suited place for horse breeding industry. Kunigal Stud Farm is situated about 44 miles from Bangalore in " Bangalore-Hassan " Main Road. The vast area is admirably suited for horse breeding industry on account of its rich soil providing all the essential minerals needed for the growth and development of young stock. There are excellent facilities for water supply. The air is clear and climate salubrious.

Farm Proper.—The Farm proper has nearly 300 acres of this, about 250 acres have been divided into more than 20 paddocks of different sizes where sun, shade and plenty of nourishing grasses are available. Every care and attention is paid to keep the paddocks in perfect and tip-top condition throughout the year.

There are 2 big tanks namely Kunigal Amanikere and Begur Amanikere which are attached to the farm lands called Ramban and Begur gardens which comprise of 53 and 13 acres respectively, where improved varieties of grasses required for horses are cultivated. As the tanks are perennial, the water supply is continuous and therefore there is no scarcity of green fodder at any time of the year. This is really an asset to the Farm.

In addition, the Kaval attached to the farm near Herur village which is 70 acres in extent supplies all the bedding grass required for the horses.

The plan of the Stud Farm is made out splendidly. The paddocks, stables, quarters and other buildings are so well and systematically arranged that management and supervision are made easy.

This Stud Farm was primarily started with the object of breeding horses, for the Indian Army. The Stallions then in use were ARABS and the mares were country bred from the regiment. These regimental mares had to march when ' in season ' from the regiment to the farm. This system was followed for a decade but was dropped as it proved a failure. Then the swars of the cavalry units were encouraged to take their mares to the Government Stallions and were given a small purchase sum for their offsprings. This system aslo did not workout satisfactorily. It is in 1886 that the first thoroughbred English Stallion " Pero Gomes " was imported and introduced on this farm with a view to breed race horses in addition to remount breeding.

In the earlier days, the Delhi Darbar had complete control over the farm and the Superintendents of the Farm were appointed by Delhi Darbar.

From the records available stalwarts like Col. Hay, Gen. Stewart, Col. Macintho and many others, the pioneers of Horse Breeding Industry in Mysore have spared no pains in establishing this Stud Farm on firm footing. The fame and glory of the farm is to a very large extent due to the great interest evinced by the Royal Family of Mysore late His Highness the Maharaja of Mysore Sri Krishnaraja Wadiyar and late Sri Narasimharaja Wadiyar, Yuvaraja of Mysore, were so much interested in the welfare and progress of the farm that their visits to the farm was a regular feature. Several Races and Horse Shows were conducted on the Stud Farm for nearly 30 years with a view to improving horse breeding industry in the State.

The present glory and fame of the farm is solely attributed to the keen interest evinced by the late Highness the Maharaja and Yuvaraja of Mysore.

The elders say that the horses of this Farm were so much attached to the Royal Family that the horses welcomed the Royalty by one long chorus of neigh whenever they visited the farm.

This Stud Farm which continued under the Military Department for nearly 3 decades was later transferred to the Animal Husbandry Department in 1948 consequent upon the abolition of Mysore State Forces. The Director of Animal Husbandry in Mysore is the Head of the Department under whose control and direction the Superintendent of the Farm works at present. The entire control of the Farm however lies in the hands of Mysore Government.

The question of making the Farm self-supporting has been a problem ever since the time of late Sri Seshadri Iyer. Towards this end several experiments like reduction in the establishment and reduction in the ration were instituted, but the results proved to be a fatal error.

However, the chief cause for the low income in contrast to heavy expenditure was the low birth and infertility among mares.

In 1948 when the farm was transferred to the Animal Husbandry Department the establishment of the farm was reduced to the minimum with the object of making the farm self-supporting. The Director of Animal Husbandry and the Superintendent have been striving their utmost to maintain the reputation of the farm and make it a financial success.

In fact, the farm sustained continued financial losses when it remained in the Military Department due to poor breeding results although improvements to the farm were effected at heavy cost but after its transfer to the Animal Husbandry Department, it has been possible to make it self-supporting.

The reason for the success in the recent years is mainly due to the adoption of scientific methods in overcoming sterility and thereby increasing the percentage of foal getting. Further the adherance to the principles of breeding hygienee, proper exercising of live-stock, timely feeding on balanced diet, providing succulant and nutritious fodder in sufficient quantities and above all careful management have been responsible for better results and more income.

Horse breeding is something like gold industry. This is not an automatic push button job. It requires lot of knowledge, experience and skill to breed the right type of off-spring by careful selection and proper mating of the Stallions and Mares and such a manner that one gets what he actually wants.

Kunigal Stud Farm is the only farm in India which had the distinction of possessing and maintaining many high class reputed stock even from as back as 1887. The following are some outstanding stallions that stood on the farm and produced stock of exceptional quality and ability.

Courage.—One of the outstanding thoroughbred English Stallion imported to the Stud Farm in 1910. By Pioneer out of the Great Time produced some excellent stock like All Silk, Saooharine, etc., in early days.

Hocus Pocus.—Sire of Illusion, Big Joy, Same Again, Sinicter, Kunigal Star and many other distingushed progeny.

Motkey.—Sire of Motley Hill, Madhuri, Devkumar, Motkin, Happiness, Happylad, etc., all proved very successful on the turf.

Monocle.—Sire of Manisha, Manina, Flirting, Love for Liberty, Santamaura, No Wonder, etc., all winners.

Kimberley.—The greatest Stallion that Kunigal Stud ever had in its history. He was worshipped by all race lovers for his grand symmetry and ancestry. He had won several races in England before he arrived in India. He was got only for Rs. 40,000. During the period of his useful career of 10 years from 1946 to 1957 he was in great demand and produced outstanding foals. He was responsible for the realisation of more than a lakh of rupees by way of covering fees and few lakhs by the sale of youngstock born out of Government mares. It is a matter of pride to the stud that one single cold by him fetched Rs. 72,000. The total amount realised by the sale of stock produced by him amounts nearly 4½ lakhs.

His produce—Jack Diamond, Rough Deal, Kiamel, Ratnavalli, Blue Diamond need special mention as they have won the greatest races like Homi Mehta Gold Cup, Indian 2,000 gunias, Lumley Gold Cup, Governor's Cup, etc. Rough Deal won the Indian Derby of 1955 and many other great races. Kismel won its master the St. Leger in 1956 earning more than a lakh of rupees.

As already mentioned His Highness the Maharaja of Mysore late Sri Krishnaraja Wadiyar who took keen interest in horse breeding and believed in the saying " Like begets like or the likeness of some ancestors ", insisted upon the import of some outstanding stallions and mares for breeding in the Stud. The Stud has some outstanding mares which dropped foals of outstanding merit and performance.

It is worth mentioning the performances of few outstanding mares that stood on the farm.

Fancy's Flight.—One of the most celebrated mares in the English Stud Books and the Dam of Flying Fox. She was the Dam of Illusion winner of 2 races and the stake money to the tune of Rs. 94,970.

Rodopis.—A good winner by herself and the Dam of Pretty Star. Rodopis had brilliant career at Calcutta and 13 races of the value of Rs. 1,33,310 placing 2nd and 3rd in the King and Viceroy's Cup respectively.

Action.—Dam of Clitheros, Army and Navy, Star Act all good winners. Snoops had the distinction of breeding the 1st Winner of Indian Oaks.

Groundsel.—She is by Scout II out of Ceosadaun. She is an outstanding champion mare tracing back to the best mares in the National Stud in Ireland.

Her foal by Kimberley 'Rough Deal' bred on the Farm won the Indian Derby in 1955 in record time of 2 minutes and 40-2/5 seconds. In addition, he had won many good races and gold cups in 1954, 1955 and 1956 at Bombay beating many good and excellent English horses. Rough Deal now stands as one of the foremost Indian bred horses in India today.

Kismet.—Also her foal was sold for Rs. 72,000 and has done exceedingly well on the turf.

From the above facts it is evident that the success of any stud farm entirely depends upon the quality of the Stallions and Mares that are maintained on the Farm.

The Department of Animal Husbandry is stressing for years on the necessity of increasing the strength of mares and maintaining few outstanding fashionable Stallions to make horse breeding a paying concern. In this connection it will be interesting to note that during the period 1946 to 1954 when the greatest Stallion "KIMBERLEY" stood on the farm, he was in great demand and the number of private mares born at the farm was at its peak. It is only from 1956 when the Stallion Kimberley was on the down grade due to age and the stud was lacking the presence of outstanding stallions, there was a sudden fall in the number of boarders as their owners preferred to withdraw and transfer their mares to other studs where better stallions stood.

The Stud Farm has an Advisory Committee since 1953 consisting of 5 non-officials including Members of the Legislative Assembly appointed by Government to suggest ways and means of improving the working of the Stud Farm. The Committee is taking keen interest in effecting alround improvement of the Stud.

The Stud Farm has sufficient facilities to accommodate 80 breed mares. At present there are 13 Government mares of which 6 were purchased and introduced in 1957-58. In fact, the stud has only 9 mares good for breeding and the remaining will have to be cast due to age or infertility.

Government of Mysore are actively considering the question of expanding the farm and making it a self-supporting industry if not a paying concern.

The Department of Animal Husbandry has submitted a Scheme to Government explaining the circumstances under which it could be made a financial success. Under the scheme it is proposed to import 3 fashionably bred Stallions of outstanding quality and pedigree, 50 brood mares of exceptional quality and also provide facilities for boarding 30 private mares.

The Stud has managed to maintain its reputation even with medium stock that it has at present by producing some outstanding foals which have brought name to the Stud.

Should Government be pleased to accept the proposals of the Department and sanction the scheme it will be a new era to the Stud Farm to stand out as one of the biggest studs in the east, as the stud has capable, efficient and experienced officers and the staff who can be depended upon for the success of the Scheme.

NOTE ON TECHNICAL AUDIT OF WORKS EXECUTED BY THE PUBLIC WORKS DEPARTMENT

(Furnished by the Department)

1. *What is Technical Audit ?*

The term is self explanatory—audit of works from a technical point of view, though its significance and what it entails has not been properly understood by many. The Public Accounts Committee at the Centre realised as early as 1947 that though the audit of accounts is being continuously and effectively applied to all Public Works Department works, that audit still leaves a lacuna which can only be filled by a parallel organisation of Technical Audit. Technical Audit, therefore, like audit of accounts, has to be a continuous process, and both have to be complementary to each other, each referring doubtful cases to the other for further scrutiny in their particular fields. The oganisation of " Chief Technical Examiner " in the Military Engineering Service has been functioning since 1935, and that of the " Chief Technical Examiner" for the Central Public Works Department since 1957, the latter having been created after consistent pressure since 1947 from the Central Public Accounts Committee.

But though the organisation has been created recently in Mysore State, the significance of Technical Audit has not so far been properly understood, with the result that, on the one hand, the Technical Audit Cell has not been doing, properly speaking, for various reasons, what it was created to do and, on the other, the Public Works Department Officers have felt it to be more of a botheration and even an unnecessary, wasteful duplication of their own works. An attempt has therefore been made in the following paragraphs clearly to explain what lacuna in audit of accounts can be filled by technical audit and why technical audit should be a continuous process, and, above all, what should be the organisation and staff pattern of the Technical Audit Cell to make it really effective and useful.

2. *Functions of the Technical Audit Cell*

The functions to be performed by the Cell have been ably and clearly defined in Government Order No. G.A.D. 39 B.A.C. 59, dated 23rd July 1959 and are reproduced below in full for facility of reference :—

1. Inspection of important works after completion as also during progress for ensuring, (*a*) quality of specifications, (*b*) execution to schedule and (*c*) no undue deviations during construction.

2. Inspection of works carried out departmentally for ensuring no excess use of materials and labour.

3. Checking a preecntage of concluded contracts for ensuring reasonable rates and no ambiguity in conditions, description and specifications with particular reference to negotiated contracts.

4. Checking a percentage of bills after payment with reference to measurement books as also check on measurements and quality of works executed.

5. To help the Government in the Public Works Department on technical points in Audit Objections, Bills, Contracts, etc.

2.1. Each word in these functions carries a significance from the point of view of technical audit, and denotes that particular aspect which cannot be covered by audit of accounts. Each function is therefore described below in detail, to bring out clearly what it really implies.

2.2. *Function No.* 1 (*a*)—*Inspection of works to ensure quality of specifications*

It is quite evident that this function cannot be performed by the Accountant General. But the question remains when the regular Public Works Department Officers are there who are fully responsible for ensuring that the quality of work is strictly in accordance with specifications, why, then, is there a need for duplicating this very work by Officers of the Technical Audit Cell ? And yet is it not a common talk in the streets that the quality of Public Works Department works is bad compared to that of private construction ? The Public Works Department has been there for decades, and yet the same talk continues. This may be loose talk for a majority of Public Works Department structures, notably the more important ones, are achieving fairly high standards of construction. But to the extent that such allegations may be true, there is certainly scope for improvement. There are instances where wilful contractors, taking advantage of the anxiety of Public Works Department Officers to show progress, have successfully smuggled bad materials and poor workmanship into the works. Technical Auditors have no such obsessions. They can detect work done below specifications and recover suitable amounts from the contractors. This is actually being done by the Chief Technical Examiner of Central Public Works Department works, (during the last 4 years, they have recovered Rs. 30 lakhs) and in my recent visit to Delhi. I was glad to notice that the general standard of Public Works Department works there has very considerably improved. Contractors in the Central Public Works Department even in remote corners of the country, are said to be aware of this fact and are afraid to carry out substandard work.

But if the scare of technical audit is to be really effective, a fairly large percentage of the works should be periodically inspected by the technical auditors, so that an impression is created that almost any work anywhere is liable to be inspected by them. This means an effectively large organisation in the Technical Audit Cell with adequate number of Technical Auditors. More will be said about it in succeeding paragraphs.

2.3. *Function No. 1 (b)—Ensuring execution of works to Schedule*

The Accountant General has merely to satisfy himself whether appropriate sanction exists for a certain extension of time of completion of a work. But the technical auditors have to ensure that this sanction was really justified or not, whether the delay in completion was due to departmental failure in fulfilling their part of the duty like supplying drawings in time, timely mark-out of works, supply of materials for which the department is liable, etc., or whether the delay is due purely to contractor's fault and yet the extension is granted. There is a general feeling that contractors usually do not stick to the stipulated time limits and that delay in completion has been usually taken for granted. There is a great scope to bring about improvement in this direction.

For performing this function effectively, the Technical Audit Cell will have to get periodical returns from all Public Works Department Divisions, select works fit for audit, and carry out spot inspections. This, again, requires adequate staff both in the office and in the field.

2.4. *Function 1 (c)—Ensuring no undue deviations during construction*

The Accountant General merely sees whether appropriate sanction for deviations from sanctioned estimates in quantities and amounts exists. Technical Auditors have to see how far such deviations were technically justified. This is a very important function and needs careful watch. It may happen that some contractors' wanting to obtain a work in a competitive tender, may quote low rates for certain items and abnormally high rates for certain other items. Later, during execution, they may succeed in getting the quantity of work carrying abnormally high rates increased to such an extent that the intention of the Government in prescribing acceptance of the lowest tender will, in effect, be vitiated. Or, in the alternative, they may succeed in getting the specifications themselves changed (for example a 6 inch R.C.C. slab into a 7 inch one) so that the items for which they had quoted low rates become non-tendered items and they get all the benefit out of it.

For watching this, the Technical Audit Cell will have to have adequate staff in the office to obtain periodical returns by correspondence, and adequate staff in the field for inspection of doubtful cases. Follow up action arising out of these inspections will also need adequate clerical staff.

2.5. *Function No. 2—Inspection of works carried out departmentally for ensuring no excess use of materials and labour*

Here, again, the Accountant General sees only whether Codal formalities have been fulfilled in the preparation and payment of Nominal Muster Rolls. It is no concern of his to see whether the strength of labour employed and the quantity of materials consumed are justified for the work turned out. Evidently only technical auditors can do this work. This becomes specially necessary both in the case of large concentrated departmental works or numerous small scattered ones. It entails surprise field inspections by technical auditors and table examinations in the office of documents showing labour and materials used with respect to work turned out.

Here again a continuous volume of office work has to be handled. If the inspections are to be effective, they have to be numerous and frequent, and adequate field staff will also be needed.

2.6. *Function No. 3—Checking a percentage of concluded contracts for ensuring reasonable rates and no ambiguity in conditions, destruction and specifications, with particular reference negotiated contracts*

The Accountant General merely sees whether payments have been made strictly in accordance with the Agreement, but only technical auditors can determine whether the contracts entered into by the Public Works Department are technically sound, whether all efforts have been made to obtain reasonable rates, whether the rates so obtained are really reasonable or not, and whether the clauses of the agreement are so drawn up as to leave no room for contractors to enter into spurious claims causing much loss to Government. There have been many instances in the past where due to loose terminology, indifferent drafting or deliberate or unintentional omissions, vague references to drawings and conflicting specifications in contract documents, huge losses had to be borne by Government. There is a large scope for improving this state of affairs.

To do this job effectively, the Technical Audit Cell will have to obtain periodical returns of contracts signed, and also copies of all the contract documents themselves as soon as they are signed, so that they may be put to a thorough scrutiny, and improvements effected before the work itself is started or even before it has made slight progress. At that stage, it may be possible to negotiate with contractors and effect the required alterations in the documents whereas it may be too late to do so when the work has progressed far enough or is completed. This requires adequate clerical staff in the office, and adequate number of Technical Auditors for office inspection of document and to inspect selected works in the field.

2.7. *Function No. 4—Checking a percentage of bills after payment with reference to measurement books as also check on measurements and quality of works executed*

While the Accountant General scrutinises all bills with tendered rates and sanctioned estimates and revised estimates, the Technical Auditors are required to examine them to find out if no quantities have been inadvertently paid twice, that no overpayments have thereby resulted and that measurements recorded are correct. The Chief Technical Examiner at the Centre has been able to detect a lot of overpayments this way in Central Public Works Department bills.

For doing this copies of all final bills have to be regularly obtained, scrutnised in detail and observations issued by the Technical Auditors. The volume of work involved is extremely large, even if such examination is restricted to works, costing, say, Rs. 50,000 and above. Adequate clerical and technical staff is needed for this purpose, and for the consequent requirement of proceeding to the field for check measurements in doubtful. cases.

2.8. *Function No. 5—To help the Government in the Public Works Department on technical points—Audit objections, bills, contracts, etc.*

So far the Government of Mysore (Public Works Department) have not referred any cases for advice to the Technical Audit Cell, probably as the Cell is not yet working at full steam. In the Government of India, however, the Chief Technical Examiner gets frequent references from the Ministry of Works, Housing and Supply (who control the Central Public Works Department) and there is no doubt that such references will begin here also and increase in number month after month after the usefulness of the Technical Audit Cell is well appreciated.

Moreover, not only the Government in the Public Works Department but other Ministries of the Government are also likely to seek the help of the Cell more and more as time passes. Very recently, the Secretary to Government, Local Self-Government and Public Health has asked the Cell to undertake a thorough investigation into the affairs of the City Improvement Trust Board on an urgent basis. This work alone needs considerable staff for a fairly long time. Other special works will no doubt be referred to the Cell from time to time. The Chief Technical Examiner of the Ministry of Works, Housing and Supply, Government of India, has been getting such requests very frequently from several ministries. For example, he had to conduct a probe recently into the affairs of the Aligarh Muslim University at the request of the Ministry of Education. This work kept him busy for more than three months, but he was able to do it as he has a staff consisting of six Technical Examination Teams each headed by an Executive Engineer and assisted by one Assistant Engineer and one Subordinate Engineer. As against this, our Technical Audit Cell has olny one Superintending Engineer, one Assistant Egineer, one Accounts Officer and one Junior Engineer, with the result that if the City Improvement Trust Board work is taken up, all other works may have to stop for, say, about a month, whereas it ought to be continuous and function without a break, like audit of accounts.

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